

Mohokare  
Local Municipality: FS  
163

Annual Report:  
2011/12

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## Glossary of terms

|        |                                                         |
|--------|---------------------------------------------------------|
| ABET   | Adult Based Education and Training                      |
| ABSA   | Amalgamated Banks of South Africa                       |
| AIDS   | Acquired Immune Deficiency Syndrome                     |
| CBO    | Community Based Organization                            |
| CPF    | Community Policing Forum                                |
| DBSA   | Development Bank of South Africa                        |
| DEAT   | Department of Tourism, Environment and Economic Affairs |
| DFA    | Development Facilitation Act No 67 of 1995              |
| DLA    | Department of Land Affairs                              |
| CGTA   | Cooperative Governance and Traditional Affairs          |
| DM     | District Municipality DE                                |
|        | Department of Energy                                    |
| DoA    | Department of Agriculture                               |
| DoE    | Department of Education                                 |
| DoH    | Department of Health                                    |
| DoSD   | Department of Social Development                        |
| PRT    | Department of Police Roads & Transport                  |
| DSAC   | Department of Sport, Arts and Culture                   |
| DWA    | Department of Water Affairs                             |
| ECA    | Environmental Conservation Act                          |
| EMS    | Emergency Medical Services                              |
| FSDC   | Free State Development Corporation                      |
| FSPGDS | Free State Provincial Growth & Development Strategy     |
| EIA    | Environmental Impact Assessment                         |
| ES     | Equitable Share (grant)                                 |
| FBO    | Faith Based Organizations                               |
| GRAP   | Generally Recognised Accounting Principles              |
| GIS    | Geographical Information System                         |
| GVA    | Gross Value Added                                       |
| HDI    | Human Development Index                                 |
| HIV    | Human Immune Deficiency Virus                           |
| HoD    | Head of department                                      |
| HR     | Human Resource                                          |
| IDC    | Independent Development Corporation                     |
| IDP    | Integrated Development Plan                             |
| IDT    | Independent Development Trust                           |
| ISRDS  | Integrated Sustainable Rural Development Strategy       |
| IT     | Information Technology                                  |
| ITP    | Integrated Transportation Plan                          |
| IWMP   | Integrated Waste Management Plan                        |
| KPA    | Key Performance Area                                    |
| LED    | Local Economic Development                              |
| MM     | Municipal Manager                                       |
| MEC    | Member of the Executive Council                         |
| MFMA   | Municipal Finance Management Act                        |
| MIG    | Municipal Infrastructure Grant                          |
| MSIG   | Municipal Systems & Institutional Grant                 |
| NDC    | National Development Corporation                        |
| NEMA   | National Environmental Management Act                   |
| NER    | National Electrification Regulator                      |
| NGO    | Non - Governmental Organizations                        |
| NSDP   | National Spatial Development Perspective                |
| NSS    | National Sanitation Strategy XDM                        |
|        | Xhariep District Municipality                           |
| PMS    | Performance Management System                           |
| PPP    | Public Private Partnership                              |
| RDP    | Reconstruction and Development Programme                |
| REDs   | Regional Electricity Distributors                       |
| RTP    | Responsible Tourism Planning                            |
| SADC   | Southern African Development Community                  |
| SALGA  | South African Local Government Association              |
| SANDF  | South African National Defense Force                    |
| SAPS   | South African Police Service                            |

|       |                                                   |
|-------|---------------------------------------------------|
| SCM   | Supply Chain Management                           |
| SDBIP | Service Delivery Implementation Budget Plan       |
| SGB   | School Governing Body                             |
| SLA   | Service Level Agreement                           |
| SMME  | Small, Medium and Micro Enterprises               |
| SMME  | Small Medium and Micron Enterprises               |
| SOE   | State Owned Enterprises                           |
| SoR   | State of Environment Report                       |
| STDs  | Sexual Transmitted Diseases                       |
| TB    | Tuberculosis                                      |
| TLC   | Transitional Local Council                        |
| VAT   | Value Added Tax                                   |
| VIP   | Ventilated Improved Pit (dry sanitation facility) |
| WSDP  | Water Services Development Plan                   |

Chapter 1:

Foreword by the Mayor

Foreword by the Municipal Manager

A. Mayor's Foreword

Mohokare Local Municipality is constituted by a highly agrarian area as identified by documents such as the IDP and Growth and development documents of the Xhariep District.

However the area is characterized by a high number of indigent households, estimated to be at 80% by 2008; this implies that income and debt payments expected from communities will continue to be a huge challenge that impacts negatively on the financial revenue of the municipality.

Strides have to be made to strengthen the local economic development and agricultural sector to benefit all sectors of our community.

Despite all these challenges we continue to provide services that are of acceptable standards to our communities:

- Access to water continues to be at 100% provision to all households,
- With the implementation phases of the regional bulk water project, we will be able to totally eradicate buckets in all our area.
- We continue to apply for electricity projects from the department of Energy and funds are allocated as per the department funding criteria.
- We continue to facilitate the provision of sustainable human settlements to our communities although we have marked that the allocations made by the Cooperative Governance and Traditional Affairs department does not equate to the backlogs on the ground (municipal level)
- Refuse removal is one of the important areas that need attention; challenges still persist due to lack of service delivery machinery & equipment.

Our relationship with the Communities of Mohokare Local Municipality, sister Municipalities within the Xhariep District and the Xhariep District Municipality, sharing knowledge and experiences, continue to improve and bear fruit, which benefits all our communities.

This report is a reflection of municipal activities for the said financial year (2011/2012) compiled by this municipality.

Regards

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Cllr. M. Shasha  
Mayor

## B. Municipal Manager's Foreword

Government sees it as a priority that annual reports are the key reporting instruments for Municipalities to report against the performance targets and budgets outlined in their integrated development plans, Annual reports are therefore required to contain information on service delivery, in addition to financial statements and the audit report.

It is meant to be a backward-looking document, focusing on performance in the financial year that has just ended. It reports on how the budget for that financial year was implemented.

This report will be tabled and interrogated at Council level and at community level by utilizing the means of public participation processes that the Municipality as guided by legislation. Prior to the Council tabling for final adoption, this document will go through the Council Oversight Committee to ensure detailed scrutiny and credibility of data and information provided.

Some of the challenges that are raised in the 2011 National Planning Commission's diagnostic report are also somewhat applicable to Mohokare Local Municipality as outlined below;

| Challenges | <u>DiagnosticReport</u>                                                                         | <u>MohokareLM</u>                                                                                                                        |
|------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
|            | Too few South Africans work                                                                     | Almost 90% of households are indigent                                                                                                    |
|            | The Quality of school education for most black people is sub standard                           | Poor qualifications within the municipal workforce                                                                                       |
|            | Poorly located and inadequate infrastructure limits social inclusion and faster economic growth | Infrastructure still laid out in terms of the old "apartheid planning" system                                                            |
|            | Spatial challenges continue to marginalise the poor                                             | Old black Townships still developing away from economically active areas (CBDs), insufficient land for economic development initiatives  |
|            | The performance of the public service is uneven                                                 | Differently provided services, e.g. "Township" versus "Towns", Road infrastructure trafficable in "towns" but not likely in "townships". |
|            | Corruption undermines state legitimacy and service delivery                                     | Mohokare is not immune to this challenge, referring from previous cases.                                                                 |

This means that Mohokare Local Municipality is bound to be affected by the dynamics of South Africa as a country, and we must continue to seek solutions that are practical and financially sustainable.

**Kind regards**

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a series of loops and a trailing flourish.

**T. C. Panyani**  
**Municipal Manager**

## **1.1. Executive Summary**

### **1.1.1. Municipal Vision, Mission & Values**

#### **Vision**

A performance-driven municipality that utilizes its resources efficiently to respond to community needs

#### **Mission**

To be a community-driven municipality that ensures sustainable quality service delivery applying principles of good governance

With the following values

Batho Pele Principles  
Good governance  
Community Based Planning  
Integrity  
Social Cohesion  
Accountability  
Customer / Client Centered Approach

Mohokare will;

- Strive to meet challenging but achievable company objectives and financial goals, with well-planned and clearly communicated strategies
- Encourage a winning spirit and a positive working environment through the development of supportive, appreciative, and rewarding working relationships
- Recognize diversity by treating individuals with respect and dignity
- Promote team building

### **1.1.2. Municipal Manager's Overview**

In giving an overview of this annual report it is worth noting the following milestones achieved;

Securing universal access to waterborne sanitation for all households through the Regional Bulk Water Scheme; where which this project will ensure that all the households in Mohokare outstanding of water borne access to sanitation are connected to the network system, promoting decency in the services that we provide.

Universal access to water by all households in Mohokare.

We are gradually making strides to achieving the Blue Drop and Green Drop status for Mohokare, even in the face of infrastructural developmental challenges that have financial implications and based on the revenue collection might prove difficult yet not impossible to implement.

Acquisition of land for residential purposes; The current shortage of land in Mohokare does not equal the demand for sites and human settlements and the procurement of the Mooifontein farm in Zastron is seen as an achievement to ensure that we continue to allocate land specifically for residential purposes.

We have managed to resuscitate relations between labour and the employer, hence the regular sitting of the employer / employee structure.

Timeously submission of the Annual Financial Statements and the Draft Annual Performance Report; Improvement on these compliance matters is evident, seeing that these documents will be submitted on time.

The filling of all critical section 56 positions except that of Director: Community Services.

In light of the milestones achieved it is very important that I also note challenges that the municipality must overcome in order to function properly, but not limited to the following;

Poor revenue base for the Municipality

This annual performance report gives a clear picture of service delivery within Mohokare,

AND in closing;

Learning is the Journey to success, therefore let us all be part of local government to ensure improvement of our people's lives.

**Kind regards**

A handwritten signature in black ink, featuring a large, stylized 'P' and 'C' followed by a series of loops and a wavy line.

**T. C. Panyani**  
**Municipal Manager**

### 1.1.3. Municipal Functions, Population and Environmental Overview

In terms of the powers and functions for municipalities as promulgated by the Constitution of the Republic of South Africa, municipalities are dictated by this document to guide their functioning, below is the powers and functions that relate Mohokare Local Municipality;

| <u>Function</u>                                                    | <u>Authorizations</u>      |
|--------------------------------------------------------------------|----------------------------|
| Air pollution                                                      | Yes                        |
| Building regulations                                               | Yes                        |
| Child care facilities                                              | Yes                        |
| Electricity reticulation                                           | Yes                        |
| Fire Fighting                                                      | Yes, including DM function |
| Local tourism                                                      | Yes                        |
| Municipal airport                                                  | Yes                        |
| Municipal Planning                                                 | Yes                        |
| Municipal Health Services                                          | No                         |
| Municipal public transport                                         | Yes                        |
| Pontoons and ferries                                               | Yes                        |
| Storm water                                                        | Yes                        |
| Trading regulations                                                | Yes                        |
| Water (Potable)                                                    | Yes                        |
| Sanitation                                                         | Yes                        |
| Amusement facilities /Beaches                                      | Yes                        |
| Billboards and the display of advertisements in public places      | Yes                        |
| Cemeteries, funeral parlors and crematoria                         | Yes, including DM function |
| Cleansing                                                          | Yes                        |
| Control of public nuisance                                         | Yes                        |
| Control of undertakings that sell liquor to the public             | Yes                        |
| Facilities for the accommodation, care and burial of animals       | Yes                        |
| Fencing and fences                                                 | Yes                        |
| Licensing of dogs                                                  | Yes                        |
| Licensing and control of undertakings that sell food to the public | Yes                        |
| Local amenities                                                    | Yes                        |
| Local sport facilities                                             | Yes                        |
| Markets                                                            | Yes                        |
| Municipal abattoirs                                                | Yes, including DM function |
| Municipal parks and recreation                                     | Yes                        |
| Municipal roads                                                    | Yes, including DM function |
| Noise pollution                                                    | Yes                        |
| Pounds                                                             | Yes                        |
| Public places                                                      | Yes                        |
| Refuse removal, refuse dumps and solid waste disposal              | Yes, including DM function |
| Street trading                                                     | Yes                        |
| Street lighting                                                    | Yes                        |
| Traffic and parking                                                | Yes                        |
| Municipal public works                                             | Yes                        |

## Population and Environmental Overview

The current realities range from socio-economic aspects to engineering infrastructure and within each category of analysis the critical issues and challenges are identified.

To analyse current realities various sources of information and data were used, such as:

Census 2001 with 2003, 2006 and 2007 Community Survey projections by Stats SA and the Municipal Demarcation Board.

Extrapolated data from the previous IDP documents

The Xhariep District Potential Analysis report

XDM latest data and information.

Any other appropriate and relevant reports specific to the Mohokare Local Municipality within the public domain.

In the 2010/2011 financial year, the Municipality in partnership with the Independent Development Trust (IDT), were in the process of completing the ward profiles for all 6 wards in the area. Since the report can only be incorporated into this document once it has been tabled and adopted by council, in the interim, we use the statistics provided by stats SA and other sources.

## Demographic Realities and Socio Economic dynamics

The community survey conducted in 2007, estimates the population of Mohokare to be at ±41 867 with 10 216 households.

Table A: Population distribution by gender and age

| Age                                        | 0 – 6        | 7 – 13 | 14 - 18 | 19 – 25 | 26 – 35 | 36 - 45 | 46 - 60 | 61 – 80 | 81 - 120 |
|--------------------------------------------|--------------|--------|---------|---------|---------|---------|---------|---------|----------|
| Male                                       |              |        |         |         |         |         |         |         |          |
| Black                                      | 3228         | 3182   | 2354    | 2492    | 3005    | 2175    | 1848    | 742     | 120      |
| Coloured                                   | 57           | 135    | 33      | 78      | 211     | 136     | 26      | 3       | 30       |
| Indian or Asian                            | -            | -      | -       | -       | -       | -       | -       | -       | -        |
| White                                      | 111          | 98     | 31      | 37      | 148     | 151     | 44      | 341     | -        |
|                                            |              |        |         |         |         |         |         |         |          |
| <u>Total Male</u>                          | <u>20816</u> |        |         |         |         |         |         |         |          |
|                                            |              |        |         |         |         |         |         |         |          |
| Female                                     |              |        |         |         |         |         |         |         |          |
| Black                                      | 3016         | 2801   | 2073    | 2610    | 2768    | 2212    | 2298    | 1390    | 244      |
| Coloured                                   | 137          | 61     | 61      | 29      | 180     | 89      | -       | 61      | -        |
| Indian or Asian                            | -            | -      | -       | -       | -       | -       | -       | -       | -        |
| White                                      | 57           | 142    | 57      | 108     | 70      | 85      | 141     | 271     | 92       |
|                                            |              |        |         |         |         |         |         |         |          |
| <u>Total Female</u>                        | <u>20972</u> |        |         |         |         |         |         |         |          |
| Percentage of both female& male age groups | 15,78        | 15,33  | 11,01   | 12,79   | 15,24   | 11,58   | 10,41   | 6,71    | 1,16     |

This section will focus on the measurement of households' living conditions at municipal level. It is hoped that this will make it possible to gauge municipal performance in terms of service delivery.

Table B: Percentage distribution of households by type of main dwelling;

|                                                                  | Census 2001 | CS 2007 |
|------------------------------------------------------------------|-------------|---------|
| House or brick structure on a separate stand or yard             | 74,9        | 67,3    |
| Traditional dwelling/hut/structure made of traditional materials | 4,2         | 0,2     |
| Flat in block of flats                                           | 1,0         | 1,0     |
| Town/cluster/semi-detached house (simplex: duplex: triplex)      | 0,5         | -       |
| House/flat/room in back yard                                     | 0,7         | 1,1     |
| Informal dwelling / shack                                        |             |         |
| In backyard                                                      | 2,9         | 7,7     |
| Not in backyard e.g. in an informal/squatter settlement          | 14,7        | 21,5    |
| Room/flatlet not in backyard but on shared property              | 0,8         | 0,3     |
| Caravan or tent                                                  | 0,3         | -       |
| Private ship/boat                                                | -           | -       |
| Worker's hostel (bed/room)                                       | -           | 0,9     |
| Other                                                            | -           | 0,0     |
| Total                                                            | 100,0       | 100,0   |

Table C: % distribution of households by type of water source;

|                                    | Census 2001 | CS 2007 |
|------------------------------------|-------------|---------|
| Piped water                        |             |         |
| Inside dwelling                    | 16,5        | 20,0    |
| Inside yard                        | 63,0        | 68,8    |
| From access point outside the yard | 18,4        | 4,7     |
| Borehole                           | 0,6         | 3,5     |
| Spring                             | 0,2         | 0,7     |
| Dam/pool                           | 0,5         | 0,5     |
| River/Stream                       | 0,1         | 0,2     |
| Water vendor                       | 0,0         | 0,3     |
| Rainwater tank                     | 0,2         | 1,2     |
| Other                              | 0,4         | -       |
| Total                              | 100,0       | 100,0   |

Table D: % distribution of households by tenure status;

|                            | Census 2001 | CS 2007 |
|----------------------------|-------------|---------|
| Owned and fully paid off   | 44,7        | 47,3    |
| Owned but not yet paid off | 8,3         | 2,4     |
| Rented                     | 13,2        | 18,4    |
| Occupied rent free         | 33,8        | 31,6    |
| Other                      | -           | 0,3     |
| Total                      | 100,0       | 100,0   |

Table E: % distribution by type of toilet facilities;

|                                             | Census 2001 | CS 2007 |
|---------------------------------------------|-------------|---------|
| Flush toilet (connected to sewerage system) | 53,7        | 57,1    |
| Flush toilet (with septic tank)             | 3,5         | 3,3     |
| Dry toilet facility                         | -           | 0,5     |

|                                    |       |       |
|------------------------------------|-------|-------|
| Chemical toilet                    | 0,3   | 0,7   |
| Pit latrine with ventilation (VIP) | 5,5   | 4,2   |
| Pit latrine without ventilation    | 7,5   | -     |
| Bucket latrine                     | 17,8  | 11,7  |
| None                               | 17,8  | 11,7  |
| Total                              | 100,0 | 100,0 |

Table F: % distribution of households by type of energy/fuel used for lighting;

|             | Census 2001 | CS 2007 |
|-------------|-------------|---------|
| Electricity | 72,6        | 80,3    |
| Gas         | 0,2         | 0,3     |
| Paraffin    | 7,1         | 4,7     |
| Candles     | 18,9        | 13,9    |
| Solar       | 0,8         | 0,5     |
| Other       | 0,3         | 0,3     |
| Total       | 100,0       | 100,0   |

Table G: % distribution of households by type of refuse disposal;

|                            | Census 2001 | CS 2007 |
|----------------------------|-------------|---------|
| Removed by local authority |             |         |
| At least once a week       | 60,1        | 67,0    |
| Less often                 | 2,1         | 12,3    |
| Communal refuse dump       | 3,8         | 0,8     |
| Own refuse dump            | 29,6        | 14,8    |
| No rubbish disposal        | 4,4         | 4,3     |
| Other                      | -           | 0,8     |
| Total                      | 100,0       | 100,0   |

Table H: % distribution of households by type of energy/fuel used for heating;

|             | Census 2001 | CS 2007 |
|-------------|-------------|---------|
| Electricity | 19,2        | 28,5    |
| Gas         | 1,4         | 1,0     |
| Paraffin    | 31,7        | 43,9    |
| Wood        | 35,9        | 21,4    |
| Coal        | 6,7         | 3,0     |
| Animal dung | 3,7         | 1,3     |
| Solar       | 0,2         | -       |
| Other       | 1,2         | 0,8     |
| Total       | 100,0       | 100,0   |

Table I: %distribution of households by type of energy/fuel used for cooking;

|             | Census 2001 | CS 2007 |
|-------------|-------------|---------|
| Electricity | 23,9        | 49,8    |
| Gas         | 4,4         | 4,2     |
| Paraffin    | 43,3        | 36,6    |
| Wood        | 24,0        | 8,1     |
| Coal        | 0,6         | -       |

|             |       |       |
|-------------|-------|-------|
| Animal dung | 3,3   | 1,0   |
| Solar       | 0,4   | 0,3   |
| Other       | 0,2   | -     |
| Total       | 100,0 | 100,0 |

## Level of education

It should be noted that the Municipality engages in the process of awarding certain amount of money to learners who achieve best at their respective high schools. However this activity did not take place during the year under review, this is due to the financial constraints.

| Group of education level                                                | Numbers |
|-------------------------------------------------------------------------|---------|
| Grade 0 - Grade 7/standard 5                                            | 15999   |
| Grade 8/standard 6/form 1 - Grade 12/Std 10 (with university exemption) | 11947   |
| Certificate with grade 12                                               | 136     |
| Diploma with grade 12                                                   | 405     |
| Bachelor's degree                                                       | 176     |
| B Tech                                                                  | -       |
| Post graduate diploma                                                   | 193     |
| Honour's degree                                                         | 214     |
| Higher degree (masters/PhD)                                             | 95      |
| No schooling                                                            | 4629    |

Source: Stats SA, CS 2007

## Health

Mohokare has 2 hospitals, each in Zastron and Smithfield. Up to now all clinics have operated only from 7:00 to 15:00 making it less accessible for people employed during the day. However there are mobile clinics that are available for areas that are far from the clinics located in Matlakeng, Mofultsepe and Roleleathunya, farm areas also are serviced through the mobile clinic facility. There is a shortage of staff at clinics, which hampers the extension of operating hours. Doctors are also not available full time at clinics.

More people are infected with HIV/Aids and this put a lot of strain on the existing health resources and facilities. There are no HIV and AIDS care centers in Mohokare, other than NGOs assisting in this regard, e.g. the Home-based care givers and the Tshepanang HIV and AIDS group in Smithfield.

Emergency services: Ambulances are under the control of the Free State Provincial Government, Department of Health. The perception of the community is that emergency services are under capacitated in terms of human resources and equipment, And a service delivery challenge with regards to EMS is that some internal Municipal roads are not trafficable, this hampers the effectiveness of this critical service.

The following table gives an overview of the current situation with regard to health facilities.  
Health Facilities in Mohokare

| TOWN / AREA   | HOSPITALS | CLINICS |
|---------------|-----------|---------|
| Zastron       | 1         | 0       |
| Matlakeng     | 0         | 1       |
| Rouxville     | 0         | 0       |
| Roleleathunya | 0         | 1       |
| Smithfield    | 1         | 0       |
| Mofulatsepe   | 0         | 1       |

Source: Department of Health

#### 1.1.4. Service Delivery Overview

Mohokare Local Municipality is charged with providing acceptable service standards in relation to the provision access to Quality drinking water, bulk water, sanitation, roads & storm water, provision of electricity, facilitate in the provision of sustainable human settlements.

The following table gives a brief picture of the level of service provision within the Municipality;

| Basic Service             | % provision |         |
|---------------------------|-------------|---------|
|                           | MTEF period |         |
|                           | 2010/11     | 2011/12 |
| Household access to water | 100%        | 100     |
| Access to sanitation      | 91%         | 90.4    |
| Access to electricity     | 97%         | 97      |
| Access to refuse removal  | 99%         | 100     |

Source: Mohokare 10/11 annual report

It is notable that Mohokare local municipality provides 100% of households with access to drinking / portable water, however the shortfalls within the sanitation provision are also worrying and the municipality has begun with the first phase of ensuring that buckets in are finally eradicated through the regional bulk water scheme, which will oversee the completion of the bucket system in Mohokare.

Electricity projects are ongoing and are implemented as per funding criteria of the department of Energy.

In terms of refuse removal, the greatest need is the equipment / machinery, with an increase in equipment, more progress can be witnessed.

### 1.1.5. Financial Health Overview

Mohokare is a highly grant dependent municipality with a high number of indigent households, as a result the municipality cannot generate sufficient income to fund its operations adequately.

Endeavors are being made through the assistance of other government departments and government entities to assist the municipality in turning around its financial viability and improving its cash flow management.

The development of a credit control policy and employment of a municipal debt collector are seen as important successes to note.

| Financial Overview – 2011/12 |                              |                                   |                                 |                    |
|------------------------------|------------------------------|-----------------------------------|---------------------------------|--------------------|
|                              |                              | Ending 30 <sup>th</sup> June 2012 |                                 |                    |
| Details                      | Actual<br>2010/11<br>(R'000) | Original<br>Budget<br>(R'000)     | Adjustment<br>budget<br>(R'000) | Actual<br>(R'000)  |
| <u>Income</u>                |                              |                                   |                                 |                    |
| Grants                       | 68 189                       | 48 549                            | 72 711 000                      | 75 357 043         |
| Taxes, Levies and Tariffs    | 31 488                       | 10 374                            | 13 913 248                      | 43 078 457         |
| Other                        | 2 072                        | 2 056                             | 1 578 250                       | 1 821 571          |
| Sub Total                    | 101 749                      | 60 979                            | 88 202 499                      | 120 257 072        |
| Less Expenditure             | 95 360                       | 72 614                            | 67 763 370                      | 137 297 604        |
| <u>Net Total</u>             | <u>6 389</u>                 | <u>-11 635</u>                    | <u>20 439 128</u>               | <u>-17 040 532</u> |

| Operating Ratios                 |           |           |
|----------------------------------|-----------|-----------|
| Detail                           | 2010/11 % | 2011/12 % |
| Employee Cost                    | 3218.0%   | 25.8%     |
| Repairs and Maintenance          | 107.0%    | 1.3%      |
| Finance Charges and Depreciation | 30.0%     | 17.0%     |

| Total Capital Expenditure |            |            |
|---------------------------|------------|------------|
| Detail                    | Jun-11     | Jun-12     |
| Original budget           | 56 986 000 | 29 350 000 |
| Adjustment Budget         | 38 616 000 | 24 116 947 |
| Actual                    | 13 509 364 | 21 328 584 |

#### 1.1.6. Organisational Development Overview

One of the most critical and key instruments towards a positive output in organizational development is the integrated performance management system, however Mohokare has had a long outstanding challenge of the absence of such a system (PMS); but 2 officials responsible for PMS were appointed in the 2011/2012 financial year.

The only document that was developed in 2004 and never reviewed is a performance management framework, which its requirements have not been implemented.

For compliance matters, the annual performance agreements are only signed by the Municipal Manager and section 56/57 managers; this has not been cascaded to all other staff below the fixed contract term posts of managers.

In terms of the organizational structure there are four managers that account directly to the Municipal Manager, namely, Technical Manager, Chief Financial Officer, Corporate Services and Community Services; all these positions are filled with the exception of the Director: Community Services.

### **1.1.7. 2011 – 2012 Auditor General Report**

#### **REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE MOHOKARE LOCAL MUNICIPALITY**

#### **REPORT ON THE FINANCIAL STATEMENTS**

##### **Introduction**

1. I was engaged to audit the financial statements of the Mohokare Local Municipality set out on pages 22 to 32, which comprise statement of financial position as at 30 June 2012, the statements of financial performance, changes in net assets and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

##### **Accounting Officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and Division of Revenue Act of South Africa 2011 (Act No.6 of 2011) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### **Auditor-General's responsibility**

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### Basis for Disclaimer of opinion Receivables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions of R862 467 (2011: R5 886 949) as disclosed in note 4 to the financial statements as supporting documentation for certain indigent consumers could not be submitted to determine whether the applicant qualifies for indigence and to determine the occurrence, accuracy and completeness of the subsidies credited to receivables for indigent consumers amounting to R229 532 (2011: R1 612 628), sufficient appropriate audit evidence as to the existence of receivables amounting to R1 751 220 for the prior year was not submitted. Furthermore a difference of R2 231 098 was noted in the prior year between the debtors system for bad debts written off for which council approval was obtained and the amount disclosed in note 4 to the financial statements. Due to the lack of information I was unable to perform alternative audit procedures to provide me with the required audit assurance with regard to receivables from exchange transactions and bad debts written off.  
Consequently I was unable to determine whether any adjustment relating to receivables from exchange transactions was necessary.

#### Sundry debtors

5. I was unable to obtain sufficient appropriate audit evidence for sundry debtors of R1 158 062 (2011: R1156 845) as disclosed in the financial statements due to the lack of sufficient appropriate audit evidence for debit transactions with an estimated value of R497 436 processed against sundry debtors accounts. Due to a lack of information I was  
unable to perform alternative audit procedures. Consequently I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of sundry debtors.

#### Accumulated surplus/(deficit)

6. I was unable to obtain sufficient appropriate audit evidence for the prior year balance of the accumulated surplus of R303 217 865 as disclosed in note 19 to the financial statements due to the lack of sufficient appropriate audit evidence for the corrections made against the accumulated surplus account as disclosed in note 36.1 to the financial statements. Furthermore, the VAT debtor in the prior year is overstated by R4 662 950 and also should have been adjusted against the accumulated surplus/deficit as disclosed in note 36.1 to the financial statements. Consequently I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of accumulated surplus for the prior year as well as for the other accounts affected by the adjustments.

#### Property, plant and equipment

7. The valuation of property, plant and equipment of R289 711 938 (2011: R289 510 415) as per note 8 to the financial statements could not be confirmed as additions from 1 July 2009 to 30 June 2011 of R67 503 523 were not valued in line with the requirements of the South African Standards of Generally Recognised Accounting Practice, GRAP 17, Property plant and equipment, read in conjunction with Directive 7. Furthermore, additions for the year as disclosed in note 8 to the financial statements could not be confirmed totalling R763 344. The entity's records did not permit the performance of reasonable alternative audit procedures. Consequently, I was unable to determine the valuation and completeness of additions for

property, plant and equipment.

## Payables

8. I was unable to obtain sufficient appropriate audit evidence for trade and other payables of R16 796 657 (2011: R19 637 226) as disclosed in note 15 to the financial statements due to the lack of sufficient appropriate audit evidence for transactions and journals processed against the trade payables account amounting to R5 116 443. Consequently I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of trade and other payables.

## Long- term liabilities

9. I was unable to obtain sufficient appropriate audit evidence for long-term liabilities as per note 17 to the financial statements of R13 711 093 (2011: R10 373 709). No loan agreement could be obtained for loans of R11 649 057 (2011: R6 198 905) from the electricity service provider. I was unable to confirm the rights and ownership, existence and valuation of these loans by alternative procedures. The disclosure of and calculation of the current portion of long-term liabilities could also not be confirmed due to the limitations identified above. Consequently I was unable to determine whether any adjustment to the financial statements was necessary.

## Revenue

10. I was unable to obtain sufficient appropriate audit evidence from the municipality and its electricity service provider for transactions with an estimated amount of R19 106 280 included in the amounts of service charges of R35 847 242 (2011: R28 275 180), government grants and subsidies for the prior year of R68 189 764, rental of facilities and equipment of R663 136 (2011: R656 777), fines of R157 143 (2011: R156 055) and other income of R567 172 (2011: R974 842) included in the total revenue of R120 257 072 (2011: 325) as disclosed in notes 20 to 26 of the financial statements. Furthermore, alternative procedures confirmed that the total revenue might be overstated by R2 277 798, but the amount of the overstatement could not be accurately determined due to a lack of reconciliations, supporting documentation and registers. I was unable to confirm revenue by alternative means. I was unable to obtain all the information and explanations deemed necessary to determine the occurrence, completeness, accuracy, cut off and classification of revenue of R37 234 693 (2011: R98 096 563). Consequently I was unable to determine whether any adjustment relating to revenue in the financial statements was necessary.

## Expenditure

11. I was unable to obtain sufficient appropriate audit evidence from the municipality and its electricity service provider for transactions with an estimated amount of R8 376 236 included in the amounts related to bulk purchases, general expenditure, repairs and maintenance, grants and subsidies paid and contracted services amounting to R42 962 462 as disclosed in notes 27 to 35 of the financial statements. The municipality's records did not permit the application of alternative audit procedures. Consequently I was unable to determine the occurrence, completeness, accuracy, cut off and classification of expenditure of R42 962 462.
12. For the prior financial year the municipality could not provide sufficient appropriate audit evidence to support the occurrence of expenditure of R6 307 132 which includes duplicate payments of R1 270 286,

duplicate recordings of R1 108 814 and expenditure of R357 575 recorded in the incorrect period. Furthermore sufficient appropriate audit evidence was not available by the electricity service provider to support the occurrence, completeness, accuracy, cut-off and classification of electricity bulk purchases of R16 136 859 for the prior financial year. The municipality's records did not permit the application of alternative procedures. Consequently I was unable to determine whether any adjustment relating to expenditure in the prior financial year was necessary.

#### Capital commitments

13. I was unable to obtain sufficient appropriate audit evidence to confirm the completeness of capital commitments stated at R2 333 908 (2011: R2 346 453) for commitments approved and contracted and R42 739 744 (2011: R12 407 994) for commitments approved and not yet contracted, as disclosed in note 45 to the financial statements. I was unable to confirm the completeness by alternative means. Consequently I was unable to determine whether any adjustment to capital commitment was necessary.

#### Irregular expenditure

14. An estimated irregular expenditure of R21 997 094 (2011: R25 093 393) was identified during the audit that was incurred due to the supply chain management (SCM) policy and SCM regulations not adhered to. This irregular expenditure was subsequently disclosed in note 43.3 to the financial statements as required in terms of section 125(2)(d) of the MFMA. Furthermore, sufficient appropriate audit evidence that management has properly identified, investigated and recorded all irregular expenditure transactions during the current and prior year could not be obtained. Due to the limitations placed on the scope of the work performed relating to expenditure and the procurement of property, plant and equipment, there were no satisfactory alternative audit procedures that I could perform to confirm the completeness, occurrence and accuracy of irregular expenditure of R130 701 014 (2011: R108 703 920), as disclosed in note 43.3 to the financial statements.

#### Fruitless and wasteful expenditure

15. I could not obtain sufficient appropriate audit evidence that the municipality has properly identified, investigated and recorded all fruitless and wasteful expenditure transactions during the current and prior year of R2 363 181 (2011: R2 086 252) as disclosed in note 43.2 to the financial statements. I was unable to perform alternative audit procedures. Consequently I could not determine the completeness, occurrence and accuracy of fruitless and wasteful expenditure of R2 363 181 (2011: R2 086 252) as disclosed in note 43.2 to the financial statements.

#### Presentation and disclosure

16. Contrary to the requirements of Section 15(2)(d) of the MFMA, the distribution loss from water service was not disclosed in the financial statements while the electricity distribution losses amounted to R112 040 287 as disclosed in note 44.9 to the financial statements. I was unable to perform alternative audit procedures to confirm the distribution losses. Consequently I could not determine the completeness, occurrence and accuracy of distribution losses.

#### Cash flow statement

17. I was unable to obtain sufficient appropriate audit evidence to determine whether the cash flow statement and the related notes were fairly stated. Taking into account the misstatements and scope limitations identified in the financial statements, as set out in this report, I was unable to practically quantify the misstatements in the cash flow statement and notes thereto. Consequently, I was unable to determine the accuracy, completeness and disclosure of the cash flow statement and related notes.

#### **Disclaimer of opinion**

18. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

#### **Emphasis of matter**

19. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### **Going concern**

20. The statement of financial performance and the cash flow statement to the annual financial statements indicate that the Mohokare Local Municipality incurred a net loss of R17 040 532 and a net cash outflow of R2 073 970 during the year ended 30 June 2012. These conditions, along with other matters as set forth in note 46 to the financial statements, indicate the existence of an uncertainty that may cast doubt on the municipality's ability to operate as a going concern.

#### **Restatement of corresponding figures**

21. As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2011-12 in the financial statements of the Mohokare Local Municipality at, and for the year ended 30 June 2011.

#### **Additional matters**

22. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### **Unaudited supplementary information**

23. The supplementary information set out on pages 26 to 32 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

24. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### **Predetermined objectives**

25. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 27 to 32 of the annual report.
26. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

27. The material findings are as follows:

### **Usefulness of information**

28. Section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), requires that the integrated development plan (IDP) should form the basis for the annual performance report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 44% (>20%) of the reported objectives, 67% (>20%) of the reported indicators and 73% (>20%) of the reported targets are not
29. consistent with the objectives, indicators and targets as per the approved IDP. This is due to the lack of review procedures in place to ensure that the IDP and annual performance report is aligned
30. The National Treasury *Framework for managing programme performance information (FMPPI)* requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 28% (>20%) of the targets were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.
31. The National Treasury *Framework for managing programme performance information* requires that performance targets be measurable. The required performance could not be measured for a total of 28% (>20%) of the targets. This was due to the fact that management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.
32. The National Treasury *Framework for managing programme performance information (FMPPI)* requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 24% (>20%) of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.

33. The National Treasury *Framework for managing programme performance information (FMPPI)* requires that it must be possible to validate the processes and systems that produce the indicator. A total of 24% (>20%) of the indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the fact that management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.

#### **Reliability of information**

34. The National Treasury *Framework for managing programme performance information (FMPPI)* requires that processes and systems which produce the indicator should be verifiable. A total of 33% (>20%) of the actual reported performance relevant to the selected programmes was not valid and accurate when compared to the source information and evidence provided. This was due to the municipality not implementing a proper performance management system.
35. The National Treasury *Framework for managing programme performance information (FMPPI)* requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy of the actual reported performance relevant to 33% (>20%) of selected objectives. This was due to the municipality not implementing a proper performance management system.

#### **Additional matter**

36. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

#### **Achievement of planned targets**

37. Of the total number of 55 targets planned for the year, 22 targets were not achieved during the year under review. This represents 40% (>20%) of total planned targets that were not achieved during the year under review.

#### **Compliance with laws and regulations**

38. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

#### **Strategic planning and performance management**

39. The council did not adopt in good time, a process set out in writing to guide the planning, drafting, adoption and review of its IDP, as required by section 28(1) of the MSA.

40. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.

#### Annual financial statements, performance and annual report

41. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected.

#### Internal audit

42. The municipality did not establish a functioning internal audit unit as required by section 165(1) of the MFMA.
43. The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and Municipal Planning and Performance Management Regulation 14(1)(a).
44. The internal audit unit did not assess the functionality of the performance management system, whether the performance management system complied with the requirements of the MSA and the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators], as required by Municipal Planning and Performance Management Regulation 14(1)(b) [(i) / (ii) / (iii)].
45. The internal audit unit did not audit the performance measurements on a continuous basis and/or submitted quarterly reports on their audits to the municipal manager and the performance audit committee, as required by Municipal Planning and Performance Management Regulation 14(1)(c).

#### Procurement and contract management

46. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers, as required by municipal SCM regulation 17(a) and (c). (Ex.136)
47. Goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as per the requirements of SCM regulation 19(a) and 36(1). (Ex159)

#### Human resource management and compensation

48. The acting senior managers directly accountable to the municipal manager did not have performance agreements, as required by section 57(2)(a) of the MSA. (Ex.36)

## Revenue management

49. An adequate management, accounting and information system was not in place which recognised revenue when it was earned and accounted for debtors, as required by section 64(2)(e) of the MFMA.
50. Interest was not charged on all accounts in arrears as, required by section 64(2)(g) of the MFMA.

## Conditional grants received

51. The municipality did not submit quarterly performance reports to the transferring national officer, the relevant provincial treasury and the National Treasury, within 30 days after the end of each quarter, as required by section 12(2)(c) of the DoRA.
52. Projects were not implemented in line with the details contained in the IDP, as required by the Division of Revenue Grant Framework, Gazette No.34280.

## Budget

53. Expenditure was incurred that was not budgeted for and in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

## Financial misconduct

54. Investigations were not instituted into all allegations of financial misconduct against officials of the municipality, as required by section 171(4)(a) of the MFMA due to the fact that irregular and fruitless and wasteful expenditure was incurred but was not investigated.

## Expenditure management

55. The accounting officer did not take reasonable steps to prevent unauthorised and irregular expenditure, as required by section 62(1)(d) of the MFMA.
56. Sufficient appropriate audit evidence could not be obtained that money owing by the municipality had always been paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.

## Asset management

57. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality as required by section 63(2)(a) of the MFMA.

## **Internal control**

58. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

## **Leadership**

59. The leadership did not effectively evaluate whether management had implemented effective internal controls. They did not gain a comprehensive understanding of how senior management members had met their responsibilities in terms of ensuring proper record management in respect of preparing the annual financial statements.
60. The leadership did implement the necessary controls to prevent non compliance to the SCM regulations and took the necessary action to address the lack of discipline in the finance and SCM directorates; however this still resulted in non-compliance to the procurement
61. legislation which in turn gave rise to the high levels of unauthorised, fruitless and wasteful and irregular expenditure incurred in the financial statements.
62. The leadership of the municipality did not effectively develop, implement and monitor internal control procedures to ensure that quarterly financial statements are prepared and subjected to review. This oversight resulted in the challenges faced to submit financial statements to audit that are fully compliant to the SA Standards of GRAP and necessitated the amendment of financial statements provided for audit purposes.
63. The leadership partly implemented controls to ensure compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted.

## **Financial and performance management**

64. Effective performance systems, processes and procedures as well as the management thereof had not been adequately developed and implemented.
65. Due to oversight on the part of the accounting officer, the regular review and monitoring of compliance to laws and regulations were not sufficiently prioritised in the municipality. As a result, significant non-compliance issues were noted that could have been prevented.
66. The staff within the finance directorate of the municipality lacked the appropriate skill and competence and this necessitated the municipality to make use of consultants to supplement such constraints. Consultants assisted with the preparation of an asset register and the preparation of the financial statements.
67. Due to time pressure brought about by the fact that the process of preparing the financial statements were only started late in the financial year, when appointment of the consultants were finalised sufficient time was not available to the chief financial officer to properly review such statements for

completeness and accuracy prior to submission thereof for auditing. This resulted in many findings relating to incorrect disclosure which were subsequently corrected.

68. Staff within the finance directorate of the municipality had an insufficient understanding of the accounting framework. This contributed towards the numerous errors that were subsequently corrected in the financial statements of the municipality.

#### **Governance**

69. Management did not establish a functioning internal audit unit.

#### **OTHER REPORTS**

70. Investigations are being conducted by independent consulting firms on request of the municipality and the premier's office. The investigations were initiated based on allegations of procurement irregularities. The investigations were still on-going at the reporting date.

Auditor-General

Bloemfontein

30 November 2012



**AUDITOR-GENERAL SOUTH  
AFRICA**

Auditing /o *build* public confidence

### 1.1.7.1. Audit Action Plan

| Category                               | Findings                                                                                                                                                                                                                                                                                       | Management Action Plans                                                                                                                                                                                                                                                                                                                                                                                                     | Responsible Person                                | Expected Outcome |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|------------------|
| Receivables from exchange transactions | Application forms and other supporting documents for certain indigent consumers could not be submitted to determine whether the applicant qualifies for indigence.                                                                                                                             | A ward profile will be conducted to identify indigent consumers and all necessary application forms and other supporting documents will be completed and filed in terms of Part 2 of the municipality's indigent policy to determine whether the customers qualifies for indigent subsidy. Completed application forms and supporting documents will be retained for record keeping and to prove to the auditors in future. | Chief Financial Officer/Community Services Office | 31 March 2013    |
|                                        | A difference of R2 231 098 was noted in the prior year between the debtors system for bad debts written off for which council approval was obtained and the amount disclosed in note 4 to the financial statements.                                                                            | These relate to prior year adjustment, a project will be undertaken where all the prior year mistakes will be corrected and efforts will be made to get the relevant supporting documents in place.                                                                                                                                                                                                                         | Chief Financial Officer                           | 30 June 2013     |
| Sundry debtors                         | Lack of supporting documentation for sundry debtors of R 1 158 062 (2011: R 1 156 845) as disclosed in the financial statements due to the lack of sufficient appropriate audit evidence for debit transactions with an estimated value of R497 436 processed against sundry debtors accounts. | All journals will be filed systematically and relevant supporting documents will be attached in each journal before sign off by authorised personnel. Supporting documents for any journals which may be requested by auditors will be submitted in time per agreement with auditors in future.                                                                                                                             | Chief Financial Officer                           | 28 February 2013 |
|                                        |                                                                                                                                                                                                                                                                                                | Reconciliations of sundry debtors and the review by the senior will be done on a monthly basis. This will include scrutinizing sundry debtors account transactions and performing the age analysis to identify old items and items posted incorrectly into this account.                                                                                                                                                    |                                                   |                  |

| Category                             | Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Management Action Plans                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Responsible Person      | Expected Outcome |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------|
|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | The reconciliations workings will be retained to give evidence of existence of receivables and valuation of debtors.                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                         |                  |
| <b>Accumulated surplus/(deficit)</b> | The auditors were unable to obtain sufficient appropriate audit evidence for the prior year balance of the accumulated surplus of R 303 217 865 as disclosed in note 19 to the financial statements due to the lack of sufficient appropriate audit evidence for the corrections made against the accumulated surplus account as disclosed in note 36.1 to the financial statements. Furthermore, the VAT debtor in the prior year is overstated by R 4 662 950 and also should have been adjusted against the accumulated surplus/deficit as disclosed in note 36.1 to the Financial statements. Consequently I was unable to determine the existence, rights and obligations, completeness, valuation and allocation of accumulated surplus for the prior year as well as for the other accounts affected by the adjustments. | Accumulated surplus investigations and adjustments will be done as the other findings with impact to prior years as raised are being investigated and get adjusted. The matter will be investigated, supporting documents as evidence shall be gathered to support the prior year's accumulated surplus balance; and when necessary adjustments will be done. Supporting documents evidence shall be retained.<br><br>A project will be undertaken where all the prior year mistakes will be corrected and efforts will be made to get the relevant supporting documents in place. | Chief Financial Officer | 30 June 2013     |
| <b>Property, plant and equipment</b> | The valuation of property, plant and equipment (PPE) of R289 711 938 (2011: R289 510 415) as per note 8 to the financial statements could not be confirmed as additions from 1 July 2009 to 30 June 2011 of R67 503 523 were not valued in line with the requirements of the South African Standards of Generally Recognised Accounting Practice, GRAP 17, <i>Property plant and</i>                                                                                                                                                                                                                                                                                                                                                                                                                                            | The valuation project will be undertaken by management to ensure that PPE additions from 1 July 2009 to 30 June 2011 of R67 503 523 is valued at cost and not deemed cost in line with the requirements of the South African Standards of Generally Recognised Accounting Practice, GRAP 17 and Directive 7. Management will try to retrieve supporting invoices from 2010 and 2011 voucher files and efforts will be made to obtain                                                                                                                                               | Chief Financial Officer | 30 June 2013     |

| Category                      | Findings                                                                                                                                                                                                                                                                                                                                                                                                   | Management Action Plans                                                                                                                                                                                                                                                                                                                                                                                             | Responsible Person      | Expected Outcome |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------|
|                               | equipment, read in conjunction with Directive 7.                                                                                                                                                                                                                                                                                                                                                           | invoices from suppliers as a means of last resort. All future PPE additions' supporting documentations and approvals will be kept in additions file and assets will be included in the fixed asset register with unique no and location details.                                                                                                                                                                    |                         |                  |
| <b>Payables</b>               | Lack of sufficient appropriate audit evidence for transactions and journals processed against the trade payables account amounting to R 5 116 443.                                                                                                                                                                                                                                                         | These relate to prior year adjustment, a project will be undertaken where all the prior year mistakes will be corrected and efforts will be made to get the relevant supporting documents in place.                                                                                                                                                                                                                 | Chief Financial Officer | 30 June 2013     |
| <b>Long- term liabilities</b> | No loan agreement could be obtained for loans of R 11 649 057 (2011: R6 198 905) from the electricity service provider. Auditors were unable to confirm the rights and ownership, existence and valuation of these loans by alternative procedures. The disclosure of and calculation of the current portion of long-term liabilities could also not be confirmed due to the limitations identified above. | This matter is being investigated and municipal management will recommend that loan agreements between CENTLEC and funders will be requested from funders, if CENTLEC is not in position of the agreements and if funders do not have, then the agreements will have to be re drafted. The split between short term and long term liabilities will be supported by calculation schedule in the next financial year. | Municipality Management | 31 March 2013    |
|                               |                                                                                                                                                                                                                                                                                                                                                                                                            | The municipality will recommend to CENTLEC that the control to ensure that all our SLA, contracts, Loan agreements is in place will be introduced (Contract management). This will be achieved through maintaining of the register relating to SLA, contracts, Loan agreements and through a bi-annual review                                                                                                       |                         |                  |

of all SLA, contracts, and loan agreements to ensure that whatever is in the register is backed by an existing physical SLA, contracts and loan agreements in place.

|         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                            |                                                        |               |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------------------|---------------|
| Revenue | <p>No sufficient appropriate audit evidence obtained from the municipality and its electricity service provider for transactions with an estimated amount of R 19 106 280 included in the amounts of service charges of R35 847 242 (2011: R28 275 180), government grants and subsidies for the prior year of R68 189 764, rental of facilities and equipment of R663 136 (2011: R656 777), fines of R157 143 (2011: R156 055) and other income of R567 172 (2011: R974 842) included in the total <i>revenue</i> of R120 257 072 (2011: R 106 380 325) as disclosed in notes 20 to 26 of the financial statements. Furthermore, alternative procedures confirmed that the total revenue might be overstated by R2 277 798, but the amount of the overstatement could not be accurately determined due to a lack of reconciliations, supporting documentation and registers.</p> | <b>Service Charges</b>                     | Chief Financial Officer and Community Services Manager | 31 March 2013 |
|         | <p>Supporting documents for billing customers will be retained as evidence to support the revenue figure, the listing/sub ledger of revenue generated in terms of billing to individual will be generated and be reviewed every month. The recon between the monthly listings mentioned above will be reconciled to the GL every month and will be reviewed. The sub ledger and the reconciliations will be retained as supporting documentation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Government grants and subsidies.</b>    |                                                        |               |
|         | <p>These relate to prior year adjustment, a project will be undertaken where all the prior year mistakes will be corrected and efforts will be made to get the relevant supporting documents in place.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Rental of facilities and equipment.</b> |                                                        |               |

The register for the use of facilities will be kept and updated by the community services office, the customer

and the municipality official will both sign off the register for booking events. Bookings for rentals of Hall facilities are done at the community services' offices and payments are made at the Municipality's offices. Reconciliations between the bookings register and rental income received will be performed and reviewed on a monthly basis going forward. Rental income sub ledger will be reconciled to the GL and will be reviewed and this will be retained as supporting documents.

### **Traffic fines**

The traffic fine books with the copy of traffic fines issued will be kept and filled by the municipality in the form of traffic fine register, a monthly recon of the traffic fines will be prepared and reviewed by management. Traffic fine register will act as a sub ledger and will be reconciled to the GL and get reviewed on the monthly basis.

### **Other revenue**

All transactions classified as other revenue will be categorised into specific type of revenue e.g. Traffic fines and rentals of facilities and the sub ledgers will be created for them as indicated above. All the other "pure" other income will be included in the other income listing (sub ledger) and all supporting documents will be kept. The sub ledger will be prepared and reviewed every month and will be reconciled

and reviewed every month.

### Overstatement of revenue

Registers, reconciliations, record keeping of supporting documents and sub ledgers will be introduced in the way similar to what's state above to ensure that occurrence of revenue is substantiated.

|                    |                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                |                         |                         |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Revenue</b>     | The auditors were unable to obtain all the information and explanations deemed necessary to determine the occurrence, completeness, accuracy, cut off and classification of revenue of R37 234 693 (2011: R98 096 563) and to determine whether any adjustment relating to revenue in the financial statements was necessary.                                                                       | <b>Occurrence, completeness, accuracy, cut off and classification of revenue</b>                                                                                                                                                                                                                                                                                                                                                               | Chief Financial Officer | 31 March 2013           |
|                    |                                                                                                                                                                                                                                                                                                                                                                                                     | Appropriate supporting documents will be kept all revenue, the internal auditors will be tasked to look at the revenue process to see how it can be improved and training will be provided to revenue staff if there is a need. Reconciliations will be prepared and reviewed on the monthly basis.                                                                                                                                            |                         |                         |
| <b>Expenditure</b> | The municipality could not provide sufficient appropriate audit evidence from the municipality and its electricity service provider for transactions with an estimated amount of R8 376 236 included in the amounts related to bulk purchases, general expenditure, repairs and maintenance, grants and subsidies paid and contracted services amounting to R42 962 462 as disclosed in notes 27 to | All expenditure vouchers from the 01 July 2012 – 31 December 2012 relating to the municipality have been filled and are readily available for audit purposes and this will be done from now going forward. The municipality will engage CENTLEC and recommend that its expenditure office must ensure that all future transactions are supported by invoices before it is paid by the municipality. The municipality will recommend to CENTLEC | Chief Financial Officer | On-going - 30 June 2013 |

35 of the financial statements. that Contract management function be introduced and all contracts with service providers be filed in the secure place, ensures that they are valid (signed) and suppliers will be required to issue invoices according to contract terms before payments are made for all transactions relating to Mohokare Local Municipality.

For the prior financial year the municipality could not provide sufficient appropriate audit evidence to support the occurrence of expenditure of R 6 307 132 which includes duplicate payments of R 1 270 286, duplicate recordings of R 1 108 814 and expenditure of R 357 575 recorded in the incorrect period. Furthermore sufficient appropriate audit evidence was not available by the electricity service provider to support the occurrence, completeness, accuracy, cut-off and classification of electricity bulk purchases of R16 136 859 for the prior financial year.

These relate to prior year adjustment, a project will be undertaken where all the prior year mistakes will be corrected and efforts will be made to get the relevant supporting documents in place.

Chief Financial Officer 30 June 2013

**Capital commitments**

The auditors were unable to obtain sufficient appropriate audit evidence to confirm the completeness of capital commitments stated at R 2 333 908 (2011: R 2 346 453) for commitments approved and contracted and R 42 739 744 (2011: R 12 407 994)

Capital commitments register/schedule will be prepared and reviewed by responsible official and this will be reconciled to the GL bi annually and the GL and sub ledger recon will be done.

Chief Financial Officer and Director Technical Services On-going - 30 June 2013

for commitments approved and not yet contracted, as disclosed in note 45 to the financial statements.

**Irregular expenditure**

An estimated irregular expenditure of R21 997 094 (2011: R25 093 393) was identified during the audit that was incurred due to the supply chain management (SCM) policy and SCM regulations not adhered to. This irregular expenditure was subsequently disclosed in note 43.3 to the financial statements as required in terms of section 125(2)(d) of the MFMA. Furthermore, sufficient appropriate audit evidence that management has properly identified, investigated and recorded all irregular expenditure transactions during the current and prior year could not be obtained.

Management will ensure that supply chain management (SCM) policy and SCM regulations are adhered to, which will include the introduction of the Unauthorised and Irregular Expenditure Policy to be approved by Mohokare Local Municipality council. All SCM staff will be sent to SCM course for them to update their knowledge and grasp key principles.

The irregular expenditure listing/register will be prepared and kept up to date and get reviewed every month and be reported to the council condonement and will be submitted to the auditors on their request in time.

Chief Financial Officer

On-going - 30 June 2013

**Fruitless and wasteful expenditure**

The auditors could not obtain sufficient appropriate audit evidence that the municipality has properly identified, investigated and recorded all fruitless and wasteful expenditure transactions during the current and prior year of R2 363 181 (2011: R2 086 252) as disclosed in note 43.2 to the financial statements.

Management ensures that the municipality does not incur fruitless and wasteful expenditure; in instances where the expenditure is unavoidable, it will be dealt with in terms of fruitless and wasteful policy and will be reported to the council for condonement.

The fruitless and wasteful expenditure listing/register will be prepared and kept up to date and get reviewed every month and be reported to the council condonement and will be submitted to the auditors on

Chief Financial Officer

On-going - 30 June 2013

their request in time.

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                              |                         |                         |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Presentation and disclosure</b> | Contrary to the requirements of Section 15(2)(d) of the MFMA, the distribution loss from water service was not disclosed in the financial statements while the electricity distribution losses amounted to R112 040 287 as disclosed in note 44.9 to the financial statements.                                                                                                                                                                                                                                                                              | All distribution losses will be disclosed in the 2013/14 financial statements once the municipality has introduced the project to install meters in the water service areas. | Chief Financial Officer | 31 March 2014           |
| <b>Cash flow statement</b>         | The auditors were unable to obtain sufficient appropriate audit evidence to determine whether the cash flow statement and the related notes were fairly stated. Taking into account the misstatements and scope limitations identified in the financial statements, as set out in this report, The auditors were unable to practically quantify the misstatements in the cash flow statement and notes thereto. Consequently, The auditors were unable to determine the accuracy, completeness and disclosure of the cash flow statement and related notes. | Cash flow statement will be more accurate when the abovementioned management action plans have been implemented and all audit issues have been resolved.                     | Chief Financial Officer | 30 June 2013            |
| <b>Going concern</b>               | The statement of financial performance and the cash flow statement to the annual financial statements indicate that the Mohokare Local Municipality incurred a net loss of R17 040 532 and a net cash outflow of R2 073 970 during the year ended 30 June 2013. These conditions, along with other matters as set forth in note 46 to                                                                                                                                                                                                                       | Cash flow projections indicate that the Municipality will break-even by the 30 <sup>th</sup> June 2013                                                                       | Chief Financial Officer | On-going - 30 June 2013 |

the financial statements, indicate the existence of an uncertainty that may cast doubt on the municipality's ability to operate as a going concern.

### 1.2.7. Statutory Annual Report Process

| No | Activity                                                                                                                                                                                                                                                                                                      | Timeframe           |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| 1  | Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period. | July                |
| 2  | Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).                                                                                                                                                                                                             |                     |
| 3  | Finalise 4 <sup>th</sup> quarter Report for previous financial year                                                                                                                                                                                                                                           |                     |
| 4  | Submit draft 10/11 Annual Report to Internal Audit and Auditor-General                                                                                                                                                                                                                                        |                     |
| 5  | Municipal entities submit draft annual reports to MM                                                                                                                                                                                                                                                          |                     |
| 6  | Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)                                                                                                                                                                                                       | August              |
| 7  | Mayor tables the unaudited Annual Report                                                                                                                                                                                                                                                                      |                     |
| 8  | Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General.                                                                                                                                                                        |                     |
| 9  | Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase                                                                                                                                                                                                   |                     |
| 10 | Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data                                                                                                                                                                                          |                     |
| 11 | Municipalities receive and start to address the Auditor General's comments                                                                                                                                                                                                                                    | September – October |
| 12 | Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report                                                                                                                                                                                            | November            |
| 13 | Audited Annual Report is made public and representation is invited                                                                                                                                                                                                                                            |                     |
| 14 | Oversight Committee assesses Annual Report                                                                                                                                                                                                                                                                    |                     |
| 15 | Council adopts Oversight report                                                                                                                                                                                                                                                                               | December            |
| 16 | Oversight report is made public                                                                                                                                                                                                                                                                               |                     |
| 17 | Oversight report is submitted to relevant provincial councils                                                                                                                                                                                                                                                 |                     |
| 18 | Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input.                                                                                                                                                                              | January             |

Her worship the Mayor : Councillor MA Shasha

TOP MANAGEMENT TEAM

Municipal Manager

Mr. C. T. Panyani

Chief Financial Officer.

Mr. J.V. Nkosi

Director: Corporate Services

Me L. V. Ngoko-Rametse

Director: Technical Services

Mr. M.N Tsoamotse

Councillors and staff who attended a strategic meeting on 24 February 2012

## Councillors

---

FRONT: MJ Sehanka, MA Shasha (Mayor), S Pokane, I Mehlomakulu

BACK: L Lekhula, TE Backward, KS Khasake, MA Letele

The venue and some of the delegates.

## Chapter 2: Governance: Political & Administrative

### 2.1. Political Governance

Mohokare Local Municipality was established in terms of the provincial Gazette No. 14 of 28 February 2000 issued in terms of Section 21 of the Local Government Notice and Municipal Demarcation Act No. 27 of 1998.

Mohokare is Local Municipality and was established on 5 December 2000. Mohokare is made up of three former TLC Local Authorities which are Zastron, Rouxville and Smithfield. The 2008/2009 demarcation processes saw this Municipality increase from having only 5 wards to 6 wards and this process brought about a gain of one more seat in the council, meaning that Mohokare now has a total number of 11 public representatives constituting the council, however this did not change the type of a council Mohokare was, it remained to be a plenary type of a Council.

Subsequent to the successfully held May 18, 2011 Local Government elections, the Council changed as outlined below;

- |                                            |                        |
|--------------------------------------------|------------------------|
| 1. Mayor & Ward 4 Councilor:               | Cllr. M.A. Shasha      |
| 2. Ward 1 Councilor                        | Cllr. T. Khasake       |
| 3. Ward 2 Councilor                        | Cllr. M. Letele        |
| 4. Ward 3 Councilor                        | Cllr. L Lekhula        |
| 5. Ward 5 Councilor                        | Cllr. E.T. Backward    |
| 6. Ward 6 Councilor                        | Cllr. R. Thuhlo        |
| 7. Democratic Alliance PR Councilor        | Cllr. I Riddle         |
| 8. Democratic Alliance PR Councilor        | Cllr. S. Pokane        |
| 9. African National Congress PR Councilor  | Cllr. M. J. Sehanka    |
| 10. African National Congress PR Councilor | Cllr. N. I Mehlomakulu |
| 11. African National Congress PR Councilor | Cllr. S. B. Majenge    |



It is evident from the party allocations that the Mohokare Local Municipal Council is ANC led, with nine (9) councilors from the ANC and two (2) from the DA.

### 2.1.1 Council Committees

The new Council of Mohokare Local Municipal Council resolved to establish section 79 committees and named them as follows;

| <b>COMMITTEE</b>                         | <b>MEMBERS</b>                                                                                                                                                                |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| OVERSIGHT COMMITTEE                      | Cllr I. Riddle (Chairperson)<br>Cllr I. Mehlomakulu<br>Cllr B. Majenge<br>Ps L. Thene (Community Member)<br>Me L Lephuting (Community Member)<br>Mr V Vapi (Community Member) |
| SEC 79 COMMITTEES:<br>Corporate Services | Cllr I. Mehlomakulu (Chairperson)<br>Cllr M. Sehanka<br>Cllr M. Letele<br>Cllr B. Majenge                                                                                     |
| Technical Services                       | Cllr B. Majenge (Chairperson)<br>Cllr T. Khasake<br>Cllr L. Lekhula<br>Cllr I. Riddle                                                                                         |
| Planning & LED                           | Cllr E. Backward (Chairperson)<br>Cllr R. Thuhlo<br>Cllr S. Pokane<br>Cllr I. Mehlomakulu                                                                                     |
| Finance Committee                        | Cllr R. Thuhlo (Chairperson)<br>Cllr M. Sehanka<br>Cllr M. Letele<br>Cllr I. Mehlomakulu                                                                                      |
| Community Services                       | Cllr T. Khasake (Chairperson)<br>Cllr E. Backward<br>Cllr R. Thuhlo<br>Cllr L. Lekhula                                                                                        |

Important to note from the above committees is the following;

- a) That the Audit committee is a district shared committee utilized by all Municipalities within the Xhariep District

### 2.1.2. Council Resolutions

The Council is the policy maker, decision maker and the ultimate accountability for this structure is to the communities that they represent, therefore all business that Council undertakes is of the interest of its constituency which are communities in Mohokare jurisdiction.

The Council implements its objectives by taking resolutions on how to improve people's lives and the implementation of these resolutions is delegated to the Accounting Officer, the Municipal Manager. During the 2011 – 2012 period, 50% of the resolutions taken are in the process of being completed (ingoing implementation).

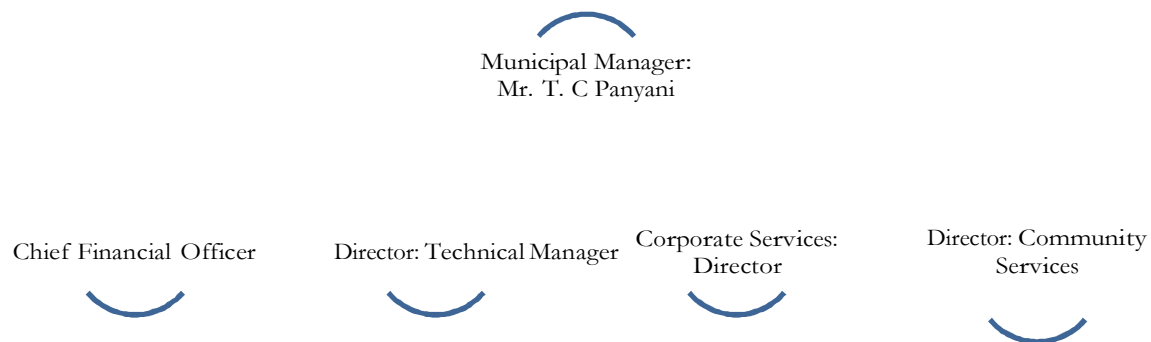
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## Administrative Governance

Mohokare Local Municipality strives for improved service delivery and efficiency in customer care relations, in order to do these tasks the Municipality has an organizational structure that talks to the needs of Council and the Powers and Functions of a plenary type Municipality.

The Municipal Manager as the Accounting Officer has ensured that the organizational structure that will enable the implementation of service delivery tasks is reviewed.

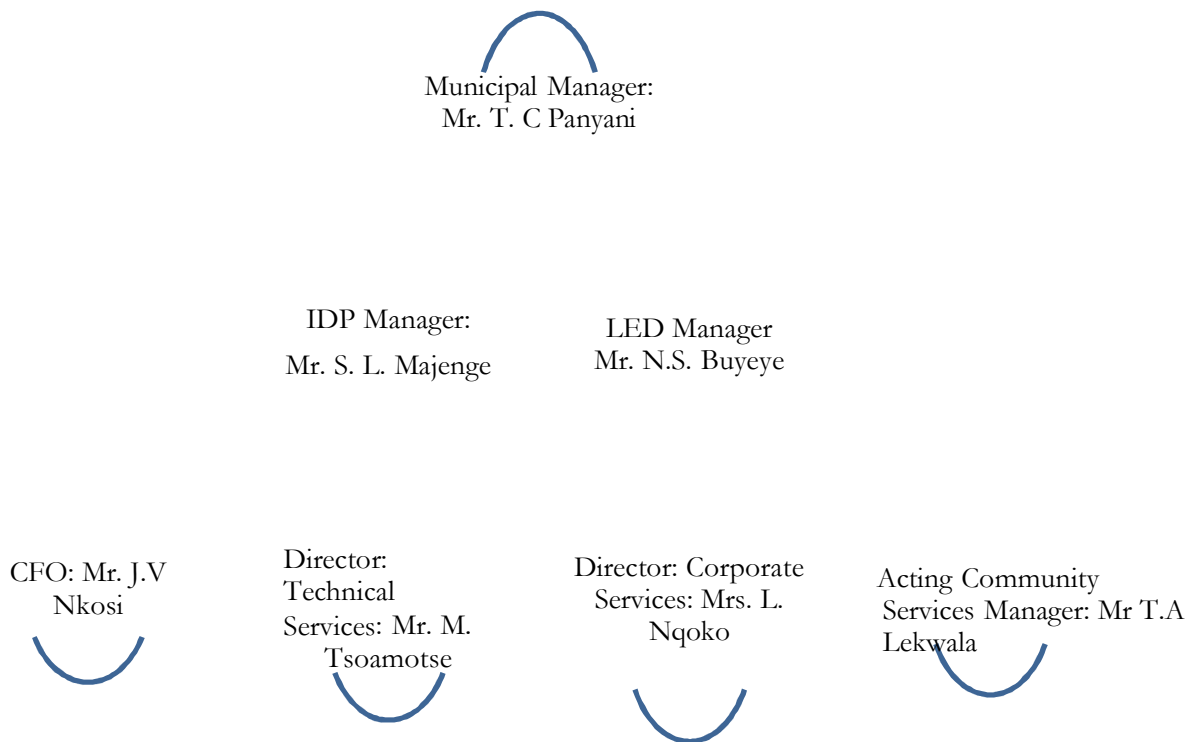
The Municipality is headed by the Municipal Manager and Managers directly accountable to the Municipal Manager, currently the top management structure of Mohokare Local Municipality is as shown below;



During the 2011/12 financial year, all posts of Managers directly accountable to the Municipal Manager were filled with the exception of the Director: Community Services, as outlined below;

|                                    |                     |
|------------------------------------|---------------------|
| Chief Financial Officer:           | Mr. J. V Nkosi      |
| Director: Technical Services:      | Mr. M. N. Tsoamotse |
| Acting Community Services Manager: | Mr. T. Lekwala      |
| Director: Corporate Services:      | Mrs. L. V Nqoko     |

The Municipal Manager and the Heads of Department extended to the Integrated Development Planning Manager & the Local Economic Development Manager form the management of Mohokare Local Municipality. Therefore, the Management structure is as shown below;



## 2.3 Inter-governmental Relations

The Inter-governmental Relations Framework Act 13 of 2005 seeks to establish a framework for the National, Provincial and Local governments to promote and facilitate intergovernmental Relations to provide for mechanisms and procedures to facilitate the settlement of intergovernmental disputes and to provide for matters connected herewith.

Informed by guiding legislation and policies related to IGR structures, Xhariep District Municipality established an IGR forum where which Mohokare as a Municipality is a member of, this forum holds meetings quarterly to engage on issues pertaining to service delivery. There are two structures of IGR, the Political IGR and the Technical IGR; The Political IGR is the structure for Mayors and Councilors and the technical structure for Municipal Managers and Key Managers & Officials.

The Municipality guided by the framework and other policies in good relations with other government departments for the sole reason of service delivery; it can be noted that the Mohokare Regional Bulk Water Scheme project funded by the Municipal Infrastructure Grant is a result of good relations between the Municipality and other government sectors such as the department of water affairs and the Office of the Premier.

### 2.3.1. Relationship with municipal entities

Mohokare Local Municipality does not have any entities.

### **3. Public Accountability and Participation**

Public accountability pertains to the obligations of persons or entities entrusted with public resources to be answerable for the fiscal, managerial and program responsibilities that have been conferred on them and to report to those that have conferred these responsibilities.

It is clear that municipalities included, have an obligation to account for the way resources are allocated and used, and the results achieved. In other words, the main objectives of all public accountability initiatives are to ensure that public money is spent most economically and efficiently.

Chapter four (4) of the Local Government Municipal systems act 32 of 2000 states that a municipality must develop a culture of municipal governance that complements formal representative government, with a system of participatory governance. This promotes accountability and participation.

Mohokare utilises general ward meetings, mass meetings and public notices to disseminate public information; this is done through a council adopted annual schedule of meetings with the communities.

#### **3.1. Public Meetings**

##### **3.1.1. Communication, Participation and Forums**

Mohokare has a communications policy adopted by council and communicates to communities through the council adopted schedule of meetings as mentioned earlier; there are quarterly held mass meetings for the Mayor and Ward Councilors hold their ward meetings bi-monthly; and Ward Committees have been established.

During the review or development of the Integrated Development Plan and the Budget consultation sessions are held with stakeholders and community meetings are also held to facilitate the process.

There is also a stakeholders forum chaired by the Mayor, constituted by all government departments offering services in the jurisdiction of Mohokare Local Municipality, this stakeholder forum holds monthly regular meetings and are well attended.

The information on the performance of ward committees was not available by submission of the 2011/2012 draft annual report.

### **3.2. IDP Participation**

Mohokare Local Municipality reviews annually the IDP document as dictated by the Local Government Systems act and the MFMA. This process is owned and undertaken and owned by the Council through the adoption of the budget time-lines and the process plan that will be advertised in local newspapers, meetings are then convened for stakeholders and communities to ensure extensive participation by the local community.

The 2011 / 2012 IDP and the Budget were successfully reviewed using the processes stated above. The advertised process plan that was adopted by council is outlined here below;

#### **4. Corporate Governance**

Corporate governance is a term that refers broadly to the rules, processes, or laws by which businesses are operated, regulated, and controlled. The term can refer to internal factors defined by the officers, stockholders or constitution of a corporation, as well as to external forces such as consumer groups, clients, and government regulations.

Well-defined and enforced corporate governance provides a structure that, at least in theory, works for the benefit of everyone concerned by ensuring that the enterprise adheres to accepted ethical standards and best practices as well as to formal laws. To that end, organizations have been formed at the regional, national, and global levels.

Municipalities too, are expected to practice well-defined corporate governance.

##### **4.1. Risk Management; Anti-Corruption & Fraud Prevention**

The Municipality does not have a risk management policy; however the Xhariep District Municipality, in October 2010, appointed a Chief Risk Officer to be utilized by all local municipalities in the district. An Anti – Fraud and Corruption Strategy exists and was developed in 2008, but has not been reviewed.

The Chief Risk Officer conducted the Risk Assessment during August 2011. It should be noted with importance that the Chief Risk Officer completed the following exercises;

- a. Fraud and Corruption Policy
- b. Fraud Prevention Strategy

And;

Macro- Operational Risk Registers were completed for all departments on 22 July 2011 with the exception of Community Services.

The Fraud and Corruption Policy Workshops were held from 09-11 November 2011.

##### **4.2. Supply Chain Management**

Supply Chain Management (SCM) is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. Supply chain management involves coordinating and integrating these flows both within and among companies. It is said that the ultimate goal of any effective supply chain management

system is to reduce inventory (with the assumption that products are available when needed).

Mohokare Local Municipality has a Supply Chain Management policy and procurement policies that are reviewed annually and guide procurement processes as dictated by the Municipal Finance Management Act.

The Municipality has the following bid committees;

- Bid Specifications Committee
- Bid Evaluation Committee
- Bid Adjudication Committee

The Bid Committees were functional for the year under review.

#### 4.3. By-Laws

The Council did not assent to any by-laws during the reporting period. All the by-laws being considered are currently at the public participation stage.

Section 10 (1) of our Establishment Notice (Provincial Notice 181 of 2000) reads as follows:

“By-laws and resolutions (including standing delegations) of a disestablished municipality ... (a) continue in force in the area in which they were applicable subject to any amendment or repeal by the competent municipality”

Apart from the aforesaid by-laws being considered, there are the by-laws of the disestablished municipalities in Mohokare area of jurisdiction that are still valid in their respective areas until they have been rationalized by Mohokare municipality.

In terms of section 15 of the Local Government Municipal Structures Act our municipality must review and where necessary rationalize these existing by-laws. The process was delayed due to financial constraints of our municipality followed by an initiative from the department of Cooperative Governance and Traditional Affairs whereby a standard set of by-laws will be promulgated, the current annual year ended with the process still pending from the side of the department.

#### 4.4. Website

According to section 75 of the MFMA the accounting officer of the municipality must place on the website documents referred to in section 21A of the Municipality Systems Act, No. 32 of 2000.

The documents are the following:

- Budget Related Policies
- Performance agreements
- All service delivery agreements
- Long-term borrowing contracts
- Supply Chain management contracts above R100 000
- Information statement containing a list of assets over a prescribed value that have been disposed in terms of section 14(2) or (4) during the previous quarter.
- Contracts having future budgetary implications to which section 33 of the MFMA applies.
- All quarterly reports tabled in the council in terms of section 52(d) of the MFMA.
- Any other documents that must be placed on the website in terms of this Act or any other applicable legislation, or as may be prescribed.

Most of the indicated documents do appear on the municipal website, however it should be noted that there is a serious training need that has to be addressed to ensure that the website is current and constantly updated, the website can be accessed through the following domain [www.mohokare.gov.za](http://www.mohokare.gov.za)

## 5. Service Delivery Performance (Part I)

During the year under review, the Municipality acquired service delivery machinery and equipment (yellow fleet), however due to the cash flow challenges and affordability, the fleet acquisition had to be reversed and cancelled.

The Municipality then resorted to acquiring assets and equipment in phases that correspond to financial years as per affordability.

Service delivery in Mohokare Local Municipality mainly focuses on the following areas;

- Access to water
- Sanitation
- Electricity
- Refuse collection
- Human Settlement (Housing)
- Roads & Storm Water
- Free Basic Services and Indigent Support

## 5.1. Basic Services

### 5.1.1. Access to Water

The Municipality has been experiencing major challenges in the supply of drinking water in Smithfield and Rouxville in particular. This was as a result of a draught which affected the constant flow of Caledon River and the raw water storage facilities (Smithfield and Kalkoenkrans dams).

Short term methods of water supply was initiated where ground water supply was explored by drilling and equipping of three(3) boreholes in Smithfield and four(4) boreholes in Rouxville. The Municipality has now been granted funds (R10 million) by the Department of Water Affairs under the Regional Bulk Water Scheme Programme to start with the implementation of the Rouxville Bulk Water Supply Project abstracting raw water from Orange river.

The Municipal performance in the management of water services was evaluated by the department of Water Affairs and the outcomes were published nationally by the Minister under the Blue drop report. Below is performance score for Blue drop:

#### Blue Drop Performance

| TOWN         | Quarter 1   | Quarter 2   | Quarter 3    | Quarter 4    | TOTAL        |
|--------------|-------------|-------------|--------------|--------------|--------------|
| Zastron      | 95          | 86.7        | 73.35        | 96.7         | <b>87.94</b> |
| Rouxville    | 88.3        | 81.7        | 83.3         | 86.67        | <b>84.99</b> |
| Smithfield   | 90          | 83.3        | 81.67        | 90           | <b>86.24</b> |
| <b>TOTAL</b> | <b>91.1</b> | <b>83.9</b> | <b>79.44</b> | <b>91.12</b> | <b>86.39</b> |

#### Green Drop Performance

| TOWN         | Quarter 1    | Quarter 2   | Quarter 3 | Quarter 4    | TOTAL        |
|--------------|--------------|-------------|-----------|--------------|--------------|
| Zastron      | 0            | 50          | 85        | 100          | <b>58.75</b> |
| Rouxville    | 100          | 100         | 100       | 100          | <b>100</b>   |
| Smithfield   | 100          | 100         | 85        | 66.67        | <b>87.92</b> |
| <b>TOTAL</b> | <b>66.67</b> | <b>83.3</b> | <b>90</b> | <b>88.89</b> | <b>82.22</b> |

| Access to Water                         |             |         |
|-----------------------------------------|-------------|---------|
| Basic Service                           | % provision |         |
|                                         | MTEF period |         |
|                                         | 2010/11     | 2011/12 |
| Household access to water               | 100%        | 100%    |
| Households with access to free 6kl free | 100%        | 100%    |

| EMPLOYEES: WATER SERVICES |                        |                                   |              |           |             |
|---------------------------|------------------------|-----------------------------------|--------------|-----------|-------------|
| Job Level                 | 2010/11                | Ending 30 <sup>th</sup> June 2012 |              |           |             |
|                           | Number of Posts Filled | Number of Posts                   | Posts filled | Vacancies | % Variance  |
| 0-3                       | 37                     |                                   |              |           |             |
| 4-6                       | 6                      | 69                                | 42           | 27        | 39.13       |
| 7-9                       | 3                      |                                   |              |           |             |
| 10-12                     |                        | 03                                | 03           | 0         | 0           |
| 13-15                     |                        |                                   |              |           |             |
| 16-18                     |                        |                                   |              |           |             |
| 19-20                     |                        |                                   |              |           |             |
| <b>TOTAL</b>              | <b>46</b>              | <b>72</b>                         | <b>45</b>    | <b>27</b> | <b>37.5</b> |

| WATER SERVICES: FINANCIAL PERFORMANCE ENDING 30 <sup>th</sup> JUNE 2012 |                    |                                   |                   |                    |                    |
|-------------------------------------------------------------------------|--------------------|-----------------------------------|-------------------|--------------------|--------------------|
|                                                                         | Nov-10             | Ending 30 <sup>th</sup> June 2012 |                   |                    |                    |
| Details                                                                 | Actual             | Original Budget                   | Adjusted Budget   | Actual             | Variance to Budget |
| Total operating revenue                                                 | 6 712 597          | 1 120 848                         | 1 120 681         | 8 679 351          | -7 558 670         |
| Expenditure:                                                            |                    |                                   |                   |                    |                    |
| Employees                                                               | 3 815 383          | 4 557 712                         | 4 579 402         | 3 876 327          | 703 075            |
| Repairs and maintenance                                                 | 316 457            | 17 562                            | 199 959           | 258 570            | -58 612            |
| Indigent Share                                                          | 0                  | 1 055 238                         | 1 055 238         | 2 316              | 1 052 922          |
| Depreciation                                                            | 0                  | 0                                 | 0                 | 0                  | 0                  |
| Debt Impairment                                                         | 0                  | 434 746                           | 434 746           | 0                  | 434 746            |
| Bulk Purchases                                                          | 0                  | 0                                 | 2 316             | 0                  | 2 316              |
| Other                                                                   | 14 153 466         | 1 442 615                         | 2 172 618         | 32 663 575         | -30 490 957        |
| Total operating expenditure                                             | 18 285 306         | 7 507 872                         | 8 444 277         | 36 800 789         | -28 356 511        |
| <b>Net operating revenue/ expenditure</b>                               | <b>-11 572 709</b> | <b>-6 387 024</b>                 | <b>-7 323 596</b> | <b>-28 121 438</b> |                    |

| Capital Expenditure: Access to Water Period ending 30 <sup>th</sup> June 2012 |                   |                  |                    |          |                  |
|-------------------------------------------------------------------------------|-------------------|------------------|--------------------|----------|------------------|
|                                                                               | Budget            | Adjusted Budget  | Actual Expenditure | Variance | Project Value    |
| Refurbishment of Smithfield/Zastron water works sand filters                  | 1 225 409         | -                | 1 225 409          | 100.0%   | 1 225 409        |
| Regional Bulk Water Supply Scheme                                             | 10 594 000        | 8 094 000        | 8 094 000          | 0.0%     | 8 094 000        |
| <b>TOTAL</b>                                                                  | <b>11 819 409</b> | <b>8 094 000</b> | <b>9 319 409</b>   |          | <b>9 319 409</b> |

### 5.1.2 Access to Sanitation

The Municipality is still on a mission to provide high level (level 3, water borne sanitation) of sanitation services to its communities. The current backlog in the eradication of bucket sanitation stands as follows:

| NAME OF TOWN  | BACKLOG                                                                  |
|---------------|--------------------------------------------------------------------------|
| 1. Zastron    | 0<br>(Buckets are only collected on currently blocked sewage main lines) |
| 2. Rouxville  | 777                                                                      |
| 3. Smithfield | 54                                                                       |
| <b>TOTAL</b>  | <b>831</b>                                                               |

| Access to Sanitation                        |             |                                   |
|---------------------------------------------|-------------|-----------------------------------|
| Basic Service                               | % Provision |                                   |
|                                             | MTEF Period |                                   |
|                                             | 2010/2011   | Ending 30 <sup>th</sup> June 2012 |
| Household access to sanitation (waterborne) | 91.87%      | 90.4%                             |

| EMPLOYEES: SANITATION |                        |                                   |              |           |              |
|-----------------------|------------------------|-----------------------------------|--------------|-----------|--------------|
| Job Level             | 2010/11                | Ending 30 <sup>th</sup> June 2012 |              |           |              |
|                       | Number of Posts Filled | Number of Posts                   | Posts filled | Vacancies | % Variance   |
| 0-3                   |                        |                                   |              |           |              |
| 4-6                   | 29                     | 66                                | 39           | 27        | 40.91        |
| 7-9                   |                        |                                   |              |           |              |
| 10-12                 | 1                      | 03                                | 01           | 02        | 66.67        |
| 13-15                 |                        |                                   |              |           |              |
| 16-18                 |                        |                                   |              |           |              |
| 19-20                 |                        |                                   |              |           |              |
| <b>TOTAL</b>          | <b>30</b>              | <b>69</b>                         | <b>40</b>    | <b>29</b> | <b>42.03</b> |

| SANITATION: FINANCIAL PERFORMANCE ENDING 30 <sup>th</sup> JUNE 2012 |            |                                   |                 |           |                    |
|---------------------------------------------------------------------|------------|-----------------------------------|-----------------|-----------|--------------------|
|                                                                     | Nov-10     | Ending 30 <sup>th</sup> June 2012 |                 |           |                    |
| Details                                                             | Actual     | Original Budget                   | Adjusted Budget | Actual    | Variance to Budget |
| Total operating revenue                                             | 5 727 712  | 1 832 984                         | 4 183 959       | 6 346 756 | -2 162 798         |
| Expenditure:                                                        |            |                                   |                 |           |                    |
| Employees                                                           | 5 622 685  | 6 742 225                         | 6 263 909       | 6 371 202 | -107 292           |
| Debt Impairment                                                     | -          | 64 967                            | 68 277          | 48 275    | 20 002             |
| Depreciation                                                        | -          | 0                                 | 0               | 0         | 0                  |
| Interest Expenses                                                   | -          | 73 956                            | 77 497          | 187 530   | -110 033           |
| Redemption Payment                                                  | -          | 400 000                           | 400 000         | 0         | 400 000            |
| Repairs and maintenance                                             | 86 375     | 0                                 | 0               | 0         | 0                  |
| Other                                                               | 2 142 931  | 942 813                           | 894 568         | 266 288   | 628 280            |
| Total operating expenditure                                         | 7 851 991  | 8 223 961                         | 7 704 252       | 6 873 295 | 830 957            |
| Net operating revenue/<br>expenditure                               | -2 124 279 | -6 390 977                        | -3 520 293      | -526 539  |                    |

| Capital Expenditure: Sanitation Period ending 30 <sup>th</sup> June 2012 |                   |                 |                    |          |                   |
|--------------------------------------------------------------------------|-------------------|-----------------|--------------------|----------|-------------------|
|                                                                          | Budget            | Adjusted Budget | Actual Expenditure | Variance | Project Value     |
| BEP for 777 sites in Rouxville                                           | 11 378 000        | -               | 4 332 835          | 0        | 11 378 000        |
| Upgrading of the Zastron Waste Water Works                               | 14 170 851        |                 | 6 456 775          | 0        | 14 170 851        |
| <b>TOTAL</b>                                                             | <b>25 548 851</b> |                 | <b>10 789 610</b>  | <b>0</b> | <b>25 548 851</b> |

### 5.1.3. Access to electricity

Electricity as stated earlier is managed through CENTLEC, and at compilation of this draft annual report, information was not yet available from CENTLEC, however the municipality does have service delivery information;

| Access to Electricity                |             |             |
|--------------------------------------|-------------|-------------|
| Electricity                          | % provision |             |
|                                      | MTEF period |             |
|                                      | 2010 / 2011 | 2011 / 2012 |
| Household with access to electricity | 94.8%       | 97%         |

The municipality in its endeavor to take over the electricity function has managed to employ electricians, Chief Electrician, Electrician and a trainee electrician, so the table below reflects only data concerning Mohokare Local Municipality, this excludes CENTLEC information;

| EMPLOYEES: ELECTRICITY |                        |                                   |              |           |            |
|------------------------|------------------------|-----------------------------------|--------------|-----------|------------|
| Job Level              | 2010/11                | Ending 30 <sup>th</sup> June 2012 |              |           |            |
|                        | Number of Posts Filled | Number of Posts                   | Posts filled | Vacancies | % Variance |
| 0-3                    |                        |                                   |              |           |            |
| 4-6                    |                        |                                   |              |           |            |
| 7-9                    | 01                     |                                   |              |           |            |
| 10-12                  | 01                     | 02                                | 01           | 01        | 50         |
| 13-15                  | 01                     | 01                                | 01           | 0         | 0          |
| 16-18                  |                        |                                   |              |           |            |
| 19-20                  |                        |                                   |              |           |            |
| Intern                 |                        | 01                                | 01           | 0         | 0          |
| <b>TOTAL</b>           | <b>03</b>              | <b>04</b>                         | <b>03</b>    | <b>01</b> | <b>25</b>  |

| ELECTRICITY: FINANCIAL PERFORMANCE ENDING 30 <sup>th</sup> JUNE 2012 |                      |                                   |                 |                  |                    |
|----------------------------------------------------------------------|----------------------|-----------------------------------|-----------------|------------------|--------------------|
|                                                                      | Nov-10               | Ending 30 <sup>th</sup> June 2012 |                 |                  |                    |
| Details                                                              | Actual               | Original Budget                   | Adjusted Budget | Actual           | Variance to Budget |
| Total operating revenue                                              | 12 040 738.00        | 264 828                           | 3 022 123       | 16 295 707       | -13 273 584        |
| Expenditure:                                                         |                      |                                   |                 |                  |                    |
| Employees                                                            | 634 472.29           | 679 901                           | 742 301         | 721 372          | 20 930             |
| Repairs and maintenance                                              | 12 893.00            | 133 741                           | 45 000          | 19 500           | 25 500             |
| Redemption Payment                                                   | -                    | 154 609                           | 0               | 0                | 0                  |
| Bulk Purchases                                                       | -                    | 0                                 | 1 400 000       | 14 183 363       | -12 783 363        |
| Indigent Share                                                       | -                    | 0                                 | 0               | 0                | 0                  |
| Other                                                                | 16 277 291.00        | 197 867                           | 352 476         | 271 203          | 81 273             |
| Total operating expenditure                                          | 16 924 656.29        | 1 166 118                         | 2 539 777       | 15 195 437       | -12 655 660        |
| <b>Net operating revenue/ expenditure</b>                            | <b>-4 883 918.29</b> | <b>-901 291</b>                   | <b>482 346</b>  | <b>1 100 270</b> | <b>-617 924</b>    |

There were no capital projects for electricity during year under review.

#### 5.1.4 Refuse Collection

| Access to Refuse                      |             |            |
|---------------------------------------|-------------|------------|
| Refuse Collection                     | % provision |            |
|                                       | MTEF period |            |
|                                       | 2010/2011   | 2011/ 2012 |
| Household access to refuse collection | 98.1%       | 100%       |

| EMPLOYEES: REFUSE COLLECTION |                 |                                   |              |           |              |
|------------------------------|-----------------|-----------------------------------|--------------|-----------|--------------|
| Job Level                    | 2010/11         | Ending 30 <sup>th</sup> June 2012 |              |           |              |
|                              | Number of Posts | Number of Posts                   | Posts filled | Vacancies | % Variance   |
| 0-3                          |                 |                                   |              |           |              |
| 4-6                          | 36              | 58                                | 35           | 23        | 39.67        |
| 7-9                          |                 |                                   |              |           |              |
| 10-12                        |                 | 03                                | 03           | 0         | 0            |
| 13-15                        |                 |                                   |              |           |              |
| 16-18                        |                 |                                   |              |           |              |
| 19-20                        |                 |                                   |              |           |              |
| <b>TOTAL</b>                 | <b>36</b>       | <b>61</b>                         | <b>38</b>    | <b>23</b> | <b>37.71</b> |

| REFUSE COLLECTION: FINANCIAL PERFORMANCE ENDING 30 <sup>th</sup> JUNE 2012 |                      |                                   |                 |                |                    |
|----------------------------------------------------------------------------|----------------------|-----------------------------------|-----------------|----------------|--------------------|
|                                                                            | Nov-10               | Ending 30 <sup>th</sup> JUNE 2012 |                 |                |                    |
| Details                                                                    | Actual               | Original Budget                   | Adjusted Budget | Actual         | Variance to Budget |
| Total operating revenue                                                    | 3 786 978.00         | 3 931 006                         | 3 860 142       | 4 221 848      | -361 706           |
| Expenditure:                                                               |                      |                                   |                 |                |                    |
| Employees                                                                  | 3 049 724.52         | 3 454 988                         | 2 950 386       | 2 831 901      | 118 485            |
| Interest Ext                                                               | -                    | 0                                 | 0               | 0              | 0                  |
| Repairs and maintenance                                                    | 312 815.70           | 258 885                           | 209 831         | 165 594        | 44 237             |
| Other                                                                      | 1 427 686.00         | 217 132                           | 310 514         | 381 048        | -70 534            |
| Debt Impairment                                                            |                      | 389 410                           | 389 410         | 0              | 389 410            |
| Total operating expenditure                                                | 4 790 226.22         | 4 320 416                         | 3 860 142       | 3 378 543      | 481 599            |
| <b>Net operating revenue/ expenditure</b>                                  | <b>-1 003 248.22</b> | <b>-389 410</b>                   | <b>0</b>        | <b>843 305</b> |                    |

| Capital Expenditure: Refuse Collection Period ending 30 <sup>th</sup> June 2012 |          |                 |                    |            |               |
|---------------------------------------------------------------------------------|----------|-----------------|--------------------|------------|---------------|
| Details                                                                         | Budget   | Adjusted Budget | Actual Expenditure | Variance % | Project Value |
|                                                                                 |          |                 |                    |            |               |
| <b>TOTAL</b>                                                                    | <b>0</b> | <b>0</b>        | <b>0</b>           | <b>0</b>   | <b>0</b>      |

### 5.1.5. Human Settlement (Housing)

It should be noted that Human Settlement is the provincial function and the Municipality facilitates the function. However the Municipality has in its employ, staff dedicated to housing services.

| Access to Housing            |             |             |           |
|------------------------------|-------------|-------------|-----------|
| Human Settlement             | % provision |             |           |
|                              | MTEF period |             |           |
|                              | 2009 / 2010 | 2010 / 2011 | 2011/2012 |
| Allocation of Houses         | 0           | 400         |           |
| Backlog in housing provision | 500         | 500         |           |

| Employees: Human Settlements |                 |                                   |              |           |            |
|------------------------------|-----------------|-----------------------------------|--------------|-----------|------------|
| Job Level                    | 2010/11         | Ending 30 <sup>th</sup> June 2012 |              |           |            |
|                              | Number of Posts | Number of Posts                   | Posts filled | Vacancies | % Variance |
| 0-3                          |                 |                                   |              |           |            |
| 4-6                          | 02              | 03                                | 03           | 0         | 0          |
| 7-9                          |                 |                                   |              |           |            |
| 10-12                        | 01              | 01                                | 0            | 01        | 100        |
| 13-15                        | 01              |                                   |              |           |            |
| 16-18                        |                 |                                   |              |           |            |
| 19-20                        |                 |                                   |              |           |            |
| <b>TOTAL</b>                 | <b>04</b>       | <b>04</b>                         | <b>03</b>    | <b>01</b> | <b>25</b>  |

| HUMAN SETTLEMENTS: FINANCIAL PERFORMANCE ENDING 30 <sup>th</sup> JUNE 2012 |                   |                                   |                 |                 |                    |
|----------------------------------------------------------------------------|-------------------|-----------------------------------|-----------------|-----------------|--------------------|
|                                                                            | Nov-10            | Ending 30 <sup>th</sup> June 2012 |                 |                 |                    |
| Details                                                                    | Actual            | Original Budget                   | Adjusted Budget | Actual          | Variance to Budget |
| Total Operating revenue (exc tariffs)                                      | -451 797          | 758 181                           | 686 237         | 360 990         | 325 247            |
| Expenditure:                                                               |                   |                                   |                 |                 |                    |
| Employees                                                                  | 538 563           | 739 464                           | 606 678         | 603 208         | 3 470              |
| Repairs & maintenance                                                      | 0                 | 413                               | 0               | 0               | 0                  |
| Other                                                                      | 153 909           | 18 305                            | 79 560          | 86 025          | -6 466             |
| Total operating expenditure                                                | 692 472           | 758 181                           | 686 237         | 689 233         | -2 996             |
| <b>Net operating revenue/ expenditure</b>                                  | <b>-1 144 269</b> | <b>0</b>                          | <b>0</b>        | <b>-328 243</b> |                    |

| Capital Expenditure: Human Settlement Period ending 30 <sup>th</sup> June 2012 |        |                 |                    |            |               |
|--------------------------------------------------------------------------------|--------|-----------------|--------------------|------------|---------------|
| Details                                                                        | Budget | Adjusted Budget | Actual Expenditure | Variance % | Project Value |
| <b>TOTAL</b>                                                                   |        | <b>0</b>        | <b>0</b>           | <b>0</b>   | <b>0</b>      |

Important to note is that the Human Settlement Budget for provision of Houses solely rests with and is the responsibility of the Free State department of Cooperative Governance and Traditional Affairs.

### 5.1.6. Roads and Storm Water

Mohokare Local Municipality has a great challenge in terms of the maintenance of Roads & Storm Water channels, given the financial status of the municipality, it makes it difficult to fund the full maintenance of roads and storms water channels from own funds.

| Gravel Road Infrastructure   | Kilometers |                                   |
|------------------------------|------------|-----------------------------------|
|                              | MTEF       |                                   |
|                              | 2011/12    | Ending 30 <sup>th</sup> June 2012 |
| New gravel road constructed  | 0          | No info available                 |
| Gravel roads upgraded to tar | 0          | No info available                 |
| Gravel road maintained       | 0          | No info available                 |
| <b>TOTAL GRAVEL ROAD</b>     | <b>0</b>   | <b>N/A</b>                        |

| Tarred Road Infrastructure         | Kilometers  |                                   |
|------------------------------------|-------------|-----------------------------------|
|                                    | MTEF        |                                   |
|                                    | 2011/12     | Ending 30 <sup>th</sup> June 2012 |
| New tarred/ paved road constructed | 4.14        | 2                                 |
| Existing tar roads re-tarred       | 0           | 0                                 |
| Existing tar roads re-sheeted      | 0           | 0                                 |
| <b>TOTAL TARRED ROAD</b>           | <b>4.14</b> | <b>2</b>                          |

| EMPLOYEES: ROADS & STORM WATER |                        |                                   |              |           |              |
|--------------------------------|------------------------|-----------------------------------|--------------|-----------|--------------|
| Job Level                      | 2010/11                | Ending 30 <sup>th</sup> June 2012 |              |           |              |
|                                | Number of Posts Filled | Number of Posts                   | Posts filled | Vacancies | % Variance   |
| 0-3                            |                        |                                   |              |           |              |
| 4-6                            | 12                     | 24                                | 14           | 10        | 41.67        |
| 7-9                            |                        |                                   |              |           |              |
| 10-12                          | 01                     | 03                                | 01           | 02        | 66.67        |
| 13-15                          |                        |                                   |              |           |              |
| 16-18                          |                        |                                   |              |           |              |
| 19-20                          |                        |                                   |              |           |              |
| <b>TOTAL</b>                   | <b>13</b>              | <b>27</b>                         | <b>15</b>    | <b>12</b> | <b>44.44</b> |

| ROADS & STORM WATER: FINANCIAL PERFORMANCE ENDING 30 <sup>th</sup> JUNE 2012 |            |                 |                 |            |                    |
|------------------------------------------------------------------------------|------------|-----------------|-----------------|------------|--------------------|
| Details                                                                      | Actual     | Original Budget | Adjusted Budget | Actual     | Variance to Budget |
| Revenue: Roads                                                               | 2 564      | 7 329 949       | 15 252 318      | 208        | 15 252 110         |
| Revenue: Traffic                                                             | 156 055    | 2 125 745       | 1 163 937       | 157 143    | 1 006 794          |
| <b>Total operating revenue</b>                                               | 158 620    | 9 455 694       | 16 416 255      | 157 351    | 16 258 903         |
| Expenditure:                                                                 |            |                 |                 |            |                    |
| Employees: Roads                                                             | 2 147 093  | 2 568 934       | 2 083 568       | 2 177 185  | -93 616            |
| Employees: Traffic                                                           | 755 767    | 912 668         | 1 020 263       | 986 265    | 33 998             |
| <b>Employees</b>                                                             | 2 902 860  | 3 481 602       | 3 103 832       | 3 163 450  | -59 618            |
| R/M: Roads                                                                   | 23 099     | 37 608          | 106 576         | 114 505    | -7 929             |
| R/M: Traffic                                                                 | 0          | 71 532          | 59 117          | 6 540      | 52 577             |
| <b>Repairs and maintenance</b>                                               | 23 099     | 109 140         | 165 693         | 121 045    | 44 647             |
| Other: Roads                                                                 | 6 227 974  | 2 002 322       | 219 784         | 110 387    | 109 398            |
| Other: Traffic                                                               | 805 754    | 1 141 545       | 84 557          | 98 852     | -14 296            |
| <b>Other</b>                                                                 | 7 033 728  | 3 143 867       | 304 341         | 209 239    | 95 102             |
| Total operating expenditure                                                  | 9 959 687  | 6 734 608       | 3 573 865       | 3 493 734  | 80 131             |
| <b>Net operating revenue/expenditure</b>                                     | -9 801 067 | 2 721 086       | 12 842 389      | -3 336 383 | 16 178 772         |

Please note that the Traffic Management is included within the financial performance of Roads & Storm Water Services, this is due to the arrangements as set out in the 2010/2011 Budget.

| Capital Expenditure: Roads & Storm Water Services Period ending 30 <sup>th</sup> June 2012 |                   |                 |                    |            |                   |
|--------------------------------------------------------------------------------------------|-------------------|-----------------|--------------------|------------|-------------------|
|                                                                                            | Budget            | Adjusted Budget | Actual Expenditure | Variance % | Project Value     |
| Access Road: Rouxville                                                                     | 12 460 000        |                 | 11 978 964         | 96         | 12 460 000        |
| <b>TOTAL</b>                                                                               | <b>12 460 000</b> |                 | <b>11 978 964</b>  | <b>96</b>  | <b>12 460 000</b> |

### 5.1.7. Free Basic Services and Indigence Support

| Free Basic Household Services               | % Provision |                                   |
|---------------------------------------------|-------------|-----------------------------------|
|                                             | METF Period |                                   |
|                                             | 2010/11     | Ending 30 <sup>th</sup> June 2012 |
| Households receiving free basic water       | 10 216      | 8 464                             |
| Households receiving free basic sanitation  | 1 948       | 354                               |
| Households receiving free basic electricity | 3 086       | 354                               |
| Households receiving free refuse removal    | -           | 354                               |

| FINANCIAL PERFORMANCE: COST TO MUNICIPALITY OF FREE BASIC SERVICES DELIVERED |                  |                  |                |                  |                  |                |
|------------------------------------------------------------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
|                                                                              | Jun-11           |                  |                | Jun-12           |                  |                |
| Service Delivered                                                            | Budget           | Actual           | Variance       | Budget           | Actual           | Variance       |
| Water                                                                        | 0                | 0                | 0              | 1 055 238        | 0                | 1 055 238      |
| Sanitation                                                                   | 1 098 000        | 0                | 1 098 000      | 0                | 0                | 0              |
| Electricity                                                                  | 536 000          | 71 262           | 464 738        | 362 172          | 1 091 381        | -729 209       |
| Refuse                                                                       | 0                | 1 390 061        | -1 390 061     | 0                | 0                | 0              |
| <b>TOTAL</b>                                                                 | <b>1 634 000</b> | <b>1 461 323</b> | <b>172 677</b> | <b>1 417 410</b> | <b>1 091 381</b> | <b>326 029</b> |

### 5.1.8 Summary Employees: Technical Services

| SUMMARY EMPLOYEES: TECHNICAL SERVICES (Excl Refuse and Human Settlements) |                        |                                   |              |           |              |
|---------------------------------------------------------------------------|------------------------|-----------------------------------|--------------|-----------|--------------|
| Job Level                                                                 | 2010/11                | Ending 30 <sup>th</sup> June 2012 |              |           |              |
|                                                                           | Number of Posts Filled | Number of Posts                   | Posts filled | Vacancies | % Variance   |
| Office of Director                                                        |                        | 11                                | 05           | 06        | 54.6         |
| PMU                                                                       |                        | 04                                | 02           | 02        | 50           |
| Water Services                                                            |                        | 72                                | 45           | 27        | 37.5         |
| Sanitation                                                                |                        | 69                                | 40           | 29        | 40.03        |
| Electricity (inc interns)                                                 |                        | 04                                | 03           | 01        | 25           |
| Roads & Engineering                                                       |                        | 27                                | 15           | 12        | 44.44        |
|                                                                           |                        |                                   |              |           |              |
| <b>TOTAL</b>                                                              | <b>N/A</b>             | <b>187</b>                        | <b>110</b>   | <b>77</b> | <b>41.18</b> |

## 5.2. Office of the Municipal Manager



Mr. CT Panyani

### 5.2.1 Planning, Development and Environmental Management

This unit is housed in the Office of the Municipal Manager, hence the staff breakdown that follows below. Mphahlele has dedicated positions within the organizational structure to ensure proper planning and development, to even explore the potential of tourism promotion in our area. Being a municipality that shares a border with Lesotho presents opportunities that need to be explored and projects initiated. The landscape of the Municipality is not posing serious challenges in terms of property development, business development and better management of land.

The presence of a spatial development framework gives more opportunities to potential positive development and the framework guards against illegal practices in terms of land development.

Town planning has at its aim to see to the optimum organization, use of land and properties so that sustainable development and settlement can be developed in an organized and legal way in accordance to the principles within the local IDP and Spatial Development Framework.

Town planning is an umbrella division as it connects with different disciplines within the municipal sphere. LED, tourism, Environmental Health, Community Services, Rural development as well as Infrastructure to name a few

The National Building Regulations and Building Standards Act 103 of 1977 is the guideline that must be used for approval or not, of a building plan. The Town planning Schemes as well as the title deed must also be taken into account. Building plans are a legal requirement.

A new Draft Spatial Planning and Land Use Management Bill, 2011 is currently on the table for discussion. This bill will repeal the following acts used in Town planning:

Removal of Restrictions Amendment Act No. 55 of 1977  
 Removal of Restrictions Amendment Act No. 18 of 1984  
 Physical Planning Act No. 88 of 1967  
 Physical Planning Amendment Act No. 87 of 1983  
 Physical Planning Amendment Act No.104 of 1984  
 Physical Planning Amendment Act No. 92 of 1985  
 Physical Planning Act No. 125 of 1991  
 Development Facilitation Act No. 67 of 1995

| Employees: Planning (inc IDP, Town Planner & PMS but excl LED) |                        |                                   |              |           |            |
|----------------------------------------------------------------|------------------------|-----------------------------------|--------------|-----------|------------|
| Job Level                                                      | 2010/12                | Ending 30 <sup>th</sup> June 2012 |              |           |            |
|                                                                | Number of Posts Filled | Number of Posts                   | Posts filled | Vacancies | % Variance |
| 0-3                                                            |                        |                                   |              |           |            |
| 4-6                                                            |                        |                                   |              |           |            |
| 7-9                                                            |                        |                                   |              |           |            |
| 10-12                                                          | 0                      | 02                                | 02           | 0         | 0          |
| 13-15                                                          | 01                     | 03                                | 02           | 01        | 33.33      |
| 16-18                                                          |                        |                                   |              |           |            |
| 19-20                                                          |                        |                                   |              |           |            |
| <b>TOTAL</b>                                                   | <b>01</b>              | <b>05</b>                         | <b>04</b>    | <b>01</b> | <b>20</b>  |

| FINANCIAL PERFORMANCE: PLANNING (incl LED)    |          |                 |                 |            |                    |
|-----------------------------------------------|----------|-----------------|-----------------|------------|--------------------|
| Details                                       | Actual   | Original Budget | Adjusted Budget | Actual     | Variance to Budget |
| Total operating revenue                       | 0        | 841 085         | 1 310 722       | 0          | 1 310 722          |
| Expenditure:                                  |          |                 |                 |            |                    |
| Employees                                     | 537 177  | 523 812         | 1 084 220       | 1 245 903  | -161 683           |
| Repairs and maintenance                       | 0        | 413             | 0               | 0          | 0                  |
| Other                                         | 346 942  | 316 861         | 236 786         | 256 623    | -19 836            |
| Total operating expenditure                   | 884 119  | 841 085         | 1 321 007       | 1 502 526  | -181 519           |
| <b>Net operating revenue/<br/>expenditure</b> | -884 119 | 0               | -10 285         | -1 502 526 | 1 492 241          |

## 5.2.2 Spatial Planning

### **INDEX (SPATIAL PLANNING)**

1. Introduction to Town Planning
2. Town Planning Strategy
3. Progress made to provide standards
  - 3.1 IDP
    - 3.1.1 Mooifontein
    - 3.1.2 Paisley dam and Quambie
  - 3.2 SDF
  - 3.3 Town planning scheme, LUMS and SPLUMB
    - 3.3.1 Land uses, title deeds, zoning and zoning certificates
    - 3.3.2 Rezoning, consolidation and subdivision
    - 3.3.3 Encroachment queries
    - 3.3.4 General queries
    - 3.3.5 Building plans
    - 3.3.6 Involvement in other projects and business plans
  - 3.4 Policies/plans
  - 3.5 By-laws
4. Measures taken to improve performance and major efficiencies delivered
5. Attach trends, comments and variances.

## **OFFICE OF COMMUNITY SERVICES:**

**Community Services Manager  
Mr. TA Lekwala**

### **TOWN PLANNING DIVISION**

#### **1. Introduction to Town Planning**

Town planning from a municipal perspective focuses on land use and the development thereof in such a way as to be sustainable, in other words, planning and development must be done as to enhance the environment for man and animal in a harmonious way as to be sure that future generations will be able to enjoy the legacy from their parents in a sustainable manner.

#### **2. Town planning Strategy**

Manages the key performance areas and result indicators associated with the creation, regeneration, enhancement and management of public spaces through the provision of a professional management consultancy service disseminating advice and guidance on international best practice trends, design, specification, procurement and implementation sequences in respect of urban design and architectural projects and monitoring and reporting on the outcomes of the section.

For this to be possible, town planning has certain policy documents as well as guidelines to assist in above goals.

1. Integrated Development Plan

2. Spatial Development Framework

3. Town planning schemes, LUMS and Spatial Planning and Land Use Management Bill (SPLUMB)/ Spatial Planning and Land Use Management Act (SPLUMA)

4. Policies

5. By-laws

6. National Building Regulations Act

#### **3. Progress made to provide basic standards**

Town planning has an umbrella effect and is an all inclusive subject spreading over many different divisions.

### **3.1 IDP**

The IDP is the guideline and structure within the municipal framework that is needed to be followed in terms of where exactly planning and development is intended to take place in the 5 year period within the municipal boundaries.

#### **3.1.1 Mooifontein**

This farm was earmarked for future human settlement and the town planning division assisted during the previous quarter by giving the necessary information (by general topography maps and land use information) in drawing up a business plan to acquire said land with the help of Cogta.

A contract was signed on 2 September 2010 and the process for is completed. This division within the Mohokare Municipality is in the process of development of this land with the assistance of several stakeholders.

#### **3.1.2 Paisley dam and Quambie**

It is indicated in the IDP that Rouxville and Roleleathunya has a dire water supply problem. A process was started from where abovementioned farm and dam to be purchased to alleviate the water problem. This process was started in the last quarter and successfully ended in the first quarter of the new financial year.

The town planning division assisted by giving the necessary information (by general topography maps and land use information) in the business plan to acquire said land with the help of Cogta.

Currently the municipality is awaiting the assistance of Mr. Wessels, surveyor, to assist in indicating the pens to ensure fencing the area.

### **3.2 SDF**

The SDF review has been approved by Council on 30 May 2012. The SDF goes hand in hand with the IDP and indicates where planning and future development can take place. The SDF explains exactly what the current status quo per town is and where changes can be made. The SDF includes a spatial analysis showing local key spatial issues and objectives.

### **3.3. Town planning schemes, LUMS and Spatial Planning and Land Use Management Bill**

To be able to implement the IDP and SDF, certain guidelines are in place that needs to be adhered to. These guidelines are found in the Town planning schemes and LUMS for each town and municipality. The town planning schemes for Rouxville and Zastron dates back from 1990 and 1991 and therefore a new set of guidelines are being developed, namely the Land Use Management Scheme. LUMS are currently not available yet. A draft was approved by the Mhokhe Council in 2007 and still with Cogta for finalization. Problems exist with the Dept. of Agriculture not wanting agricultural land to fall within municipal land use structures.

Government is currently busy with the assistance of the different provincial departments to develop the Spatial Planning and Land Use Management Bill. This bill needs to be in place by 2013. Several workshops have been presented by Cogta for the Free State.

Within abovementioned documents, there are paths to follow as to adhere to the specifications within to ensure the progress in terms of provision of basic standards to the local communities.

#### **3.3.1 Land uses, Title deeds, Zoning and Zoning certificates**

Land use is governed by the proper land use assigned to a specific erf or area. Land use is stipulated by zoning. Development is regulated by the SDF and IDP in accordance with the specific zoning.

Land use must be in accordance with Title deeds of said property and the Town Planning Scheme. Possible revenue for the municipality can be generated in terms of rates and taxes if the Land use is changed. Requests for rezoning must be taken seriously as well as the compliance by property owners to the land use allocated to their erven. Densification of urban areas must be a focal point for the municipality and urban sprawl must be dissuaded.

Thirteen zoning certificates were issued in the period 1 July 2011 to 30 June 2012.

A need was identified for industrial sites in Smithfield and as per public protector investigation, a site was identified and quotations are being awaited for such a development. This is also identified as per SDF review 2012.

The Mooifontein farm school needs to be relocated and Site 3675 has been identified but is only 3,5 ha in size which is a bit small to accommodate a school.

Outstanding issues are the 54 A sites in Smithfield. A Quotation was sent to Mr Khumalo of Cogta for incorporation of these erven into the general plan of Mofulathsepe. The eleven erven in Zastron (Kappiedorp) as well as the one site in Rouxville have been surveyed and are awaiting erf numbers so that registration and title deeds can be finalized.

### **3.3.2 Rezoning, Consolidation and subdivision**

Depending on the regulations per title deed of a said erf, an application can be done for rezoning, subdivision or/and consolidation of erven. The legal implication is to follow with the title deed issued against specific erf as well as the specific Town Planning Scheme for land use as well as the SDF. It may have positive financial implications for the municipality in terms of a potential income and densification of land use.

It is recommended that depending on the direct impact to the immediate surroundings, a recommendation will be sent forth to the Mohokare municipality's management as well as the Council for approval or not, of a specific application. Densification of urban areas must be a focal point for the municipality and urban sprawl must be dissuaded.

### **ZONING ,REZONING, CONSOLIDATION, SUBDIVISION**

|                                               | REQUEST RECEIVED                    | ERF NR.                                                      | OWNER               | REQUEST FOR:            | ACTION TAKEN                                                                   |
|-----------------------------------------------|-------------------------------------|--------------------------------------------------------------|---------------------|-------------------------|--------------------------------------------------------------------------------|
| Rezoning                                      | Mare                                | Erf 42<br>Zastron                                            | Ivan Mare           | Rezoning to<br>business | Letter given<br>permission to apply<br>for rezoning                            |
| Rezoning                                      | Roodt &<br>partners                 | Erf 316<br>Zastron                                           | Telkom              | Rezoning to<br>business | Report waits for<br>Council                                                    |
| Subdivision                                   | Phetogo                             |                                                              | Me Dazana           | Subdivision             | Approval granted by<br>Council                                                 |
| Subdivision                                   | De Waal &<br>Nortje<br>Incorporated | Erf 354<br>Smithfield                                        | Mr and Mrs<br>Khabo | Subdivision             | Report waits for<br>Council                                                    |
| Subdivision                                   | Mr. Monoana                         | Erf 354<br>Zastron                                           | Monoana             | Subdivision             | Request received but<br>procedures never<br>followed for formal<br>application |
| Consolidation of<br>Bell street<br>Smithfield | Mr. Frans<br>Lategan                | Consolidation<br>of Bell street<br>Smithfield<br>with Erf 36 | Municipality        |                         | Not approved –<br>community<br>objections                                      |
| Rezoning or<br>consent use                    | Dr. Mwrebi                          | Erf 513<br>Zastron                                           | Dr. Mwrebi          | rezoning                | Council wants to<br>look at a alternative.                                     |

#### **3.3.3 Encroachment queries**

Encroachment is a very serious and problematic situation being dealt with continuously. Problems occur where the boundary of a site is unclear or unknown because no land surveyor pens are available. It has either been removed illegally or driven so deep into the earth, that it cannot be found. Property owners simply decide by themselves to put up a fence without checking at the municipal offices for assistance in identifying boundary lines.

Layout plans, title deeds, land surveyor's pens and aerial photographs can be used to assist in identifying boundaries. Each complaint must be investigated. If the municipal officers are unable to

show out boundaries, it is necessary for the owner of the property, to contact a private land surveyor or a town planner to assist in identifying the correct boundaries but this has cost implications to the individual.

| ENCROACHMENT           | REQUEST RECEIVED            | ERF NR.                         | ACTION TAKEN                                                                                                                                               |
|------------------------|-----------------------------|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Encroachment complaint | Me. Matsoso                 | 2783 Ezebeleni                  | After investigation, no encroachment by neighbor                                                                                                           |
| Encroachment           | Nick Roodt and Municipality | Esme Evruard passage Smithfield | Gate removed                                                                                                                                               |
| Encroachment           | Mr. Frans Maqueqe           | Erf 3008 B Matlakeng            | Site does not exist.                                                                                                                                       |
| Encroachment           | Mr. Raleteng                | Erven 259 and 260 Rouxville     | Problem in terms of old promises between former neighbours.<br><br>Surveying according to general plan and not according to hearsay - created unhappiness. |

### 3.3.4 General queries

Town planning includes a wide variety of municipal information in terms of land use and therefore a lot of general queries are handled. Most information given is in terms of requirements needed on and for building plans. Secondly information is required for the process and whole can be contacted for the designing and providing of services like building plans and in terms of possible consolidation and subdivision of erven. A draft building plan manual has been written and approved by Council.

Most site related queries are for business sites and church sites. A huge need exists. Furthermore, site measurements and copies of existing building plans are identified needs through queries being received.

### 3.3.5 Building plans

Mr. Malcolm de Jager is now the building inspector for the Mohokare Municipality. This makes approval and problem solving quicker and more effective. A need was identified for specifications of what is needed on a building plan and therefore a tick list was designed by the town planner to assist in this effect. A building plan manual, describing the whole process was approved by Council.

30 Building plans for the period July 2011 to June 2012 (attached to this report).

### 3.3.6 Involvement in other projects and Business plans

- Uitkoms Hall – site identified next to the entrance road to Uitkoms, Rouxville. The site was formalized, measured and processes in progress.
- S2 road to Lesotho – upgrading of the gravel road to Lesotho as to uplift the current economic status of Zastron as well as the farming community.
- Truck stop – a long outstanding project being reinvestigated by the town planner. The truck stop is situated at the Smithfield entrance and on the N6. A meeting was initiated between SANRAL and the Mohokare Municipality in Bloemfontein during April 2012.
- Heritage projects – the first of these are in Zastron. The old Bluegum tree on the corner of Reichenberg Street and Hoofd Street needs to be fenced and seen as a local heritage site preserved for the future generations.
- **Creation of Hawker sites and –stalls.**  
Erven 486 - 488 in Zastron has been identified for possible development as well as Erf 342 in Rouxville. Smithfield is currently difficult to assess for a taxi rank, but a possible site will be identified after more consultations.
- **Motheo College**  
Possible cooperation between Motheo College, donor funds and the municipality can create a learning facility to upgrade the current educational possibilities within Mohokare. This is an ongoing project.

## 3.4 Policies/plans

Policies are needed to be in place as to regulate land use and development.

- Guest house policy
- Building plan policy
- Disaster management plan

- Traffic management plan

### 3.5 By-laws

Certain by-laws are in place but other standardized by-laws as given as a draft by Cogta are in the processes of being taken up for public participation and finalization will be done with assistance of Mr. Hohne from Cogta.

- Standard Control of Street Vendors, Peddlers and Hawkers By-law
- Standard Advertising By-Law
- Standard Informal Settlements By-law

### 4. Measures taken to improve performance and major efficiencies delivered.

Weekly reports, formats and tick sheets were introduced by the town planning division to organize the work done on a daily basis and to ensure continuity as well as follow-ups to queries, problems and requests in terms of town planning.

A building procedure manual was approved by Council. This along with a tick sheet for draughtsman alleviates pressure on the division as well as the persons responsible for approval of building plans. Mr. Malcolm de Jager did a building inspector at Xhariep municipality. Having a building inspector makes the approval process quicker.

With the approval of the Spatial Development Plan (SDF) the town planning division has the tools to focus on development and land use to the betterment of the local communities, eg. Development of hawker stalls to regulate informal trading, assisting the Local Development division in terms of the location of possible projects which will assist in terms of job creation and development of the local communities.

### 5. Attach trends, comments and variances

One of the biggest challenges experienced by the town planning division is the search for possible areas to develop more residential sites as there is such a huge need experienced. The three new developments stated underneath are in need of basic services and the Dept. Technical services has reported in terms of MIG for funding to develop the necessary infrastructure.

|                        |           |
|------------------------|-----------|
| Extension 10 Zastron   | 725 erven |
| Extension 6 Rouxville  | 855 erven |
| Greenfields Smithfield | 467 erven |

Currently there is a need for church sites. It may be necessary to develop a policy in terms of a definition of what is a church, the needs of such an organization and the structure that must be put up on a site zoned for institutional purposes. (Proof of requests available at Dept. Community Services).

The entire surveyor's work on creating pounds in Rouxville and Smithfield were done and paid for. The need now is to develop the pounds, fence it to assist the local communities and commonage farmers in terms of roaming animals, traffic accidents due to roaming animals and illnesses spread by animals (Proof attached).

Adherence to building regulations is a huge challenge as people are not clued up on what is expected of them. Structures are built without building plans. Education is necessary to explain the importance thereof.

Control of hawkers and informal businesses is proving to be a huge challenge. Erven are identified for development of a site for hawkers with formalized structures to accommodate hawkers and their businesses.

Absence of a town planning scheme in Smithfield, make decisions in terms of town planning, eg land use very difficult and will the Spatial Planning and Land Use Act (SPLUMA), when implemented, assist because it will substitute all current town planning schemes.

SPLUMA will bring big changes on municipal level as most functions now being done on a provincial level, will be cascaded down to municipal level, and will all municipalities need to have registered town planners. (A copy is available on request).

BUILDING PLAN REGISTER JULY 2011 TO JUNE 2012

| DATE       | RECEIPT NR                           | RESIDENTIAL ADDRESS               | PLAN                          | SURFACE AREA | SITE NR                | OWNER          | DATE SUBMITTED |
|------------|--------------------------------------|-----------------------------------|-------------------------------|--------------|------------------------|----------------|----------------|
| 28/11/2011 | 24109                                | 691 Phola Park EXT 4              | NEW HOUSE                     | 58m²         | R 691                  | D. Mpheulane   | 28/11/2011     |
| 28/11/2012 |                                      | Roleleathunya                     | EXISTING ROOMS                | 38 m²        |                        |                |                |
| 22/11/2011 | 23809                                | 312 Letele str<br>Roleleathunya   | addition to<br>existing rooms | 149m         | 312                    | S. Tsupa       | 22/11/2011     |
|            |                                      |                                   |                               | 67m²         |                        |                |                |
| RECEIPT NR | RESIDENTIAL ADDRESS                  | PLAN                              | SURFACE AREA                  | SITE NR      | OWNER                  | DATE SUBMITTED | DATE APPROVED  |
| 27515      | 22 VAN RIEBEECK STREET Zastron       | CARPORT                           |                               | 750          | C. MARWICK             | 12/3/2012      |                |
| 10218      | 17 VOORTREKKER STREET SMITHFIELD     | Extensions                        |                               | 17           | D.GEERE                | 22/03/2012     |                |
| 27253      | Mathey Street Zastron                | new building                      |                               | 192          | B.V. Mantutle          | 8/3/2012       | 14/03/2012     |
| 27073      | 1171 ROLELEATHUNY A                  | NEW CHURCH                        | 1365M²                        | 1171         | JEHOVAH WORSHIP CENTRE | 8/3/2012       |                |
| 27072      | 327 KOHLBERG STREET ROUXVILLE        | NEWGARAGE,ALTE RATIONS            | 77M²                          | 327          | L.J. MAKHETHA          |                |                |
| 24543      | 483 MOREWTYANA STR SMITHFIELD        | ALTERATIONS                       |                               | 483          | MR. SABATA             | 10/1/2012      | 30/01/2012     |
| 9718       | 112 PRESIDENT STEYN STREET ROUXVILLE | NEW HOUSE                         | 228M                          | 112          | M R & MRS MOLALE       |                |                |
| 24109      | 691 PHOLA PARK EXT 4 ROLELEATHUNY A  | NEW HOUSE                         | 58                            | 691          | MR D. MPEULANE         | 6/12/2011      |                |
| 25264      | 815 KANANA ZASTRON                   | NEW HOUSE                         | 149.1                         | 815          | J. MAILE               | 31/01/2012     | 31/01/2012     |
| 23809      | 312 LETELE STR ROLELEATHUNY A        | ADDITIONS AND ALTERATIONS         | 149M                          | 312          | S. TSUPA               | 6/12/2011      |                |
| 1517       | 105 PRES HOFFMAN STR SMITHFIELD      | EXISTING BUILDINGS                |                               | 105          | S. RAPSON              | 20/12/2011     | 30/01/2012     |
| 25261      | 16 GUSTAVUS STR ZASTRON              | EXISTING BUILDING AND ALTERATIONS |                               | 47           | VANANCO                | 11/1/2012      | 30/01/2012     |
| 284426     | 9 WESSELS STREET SMITHFIELD          | NEW STORE/GARAGE                  | 97.68                         | 363          | J. VAN ROOYEN          | 18/4/2012      | 19/04/2012     |
| 28071      | KEAT'S STREET SMITHFIELD             | ADDITIONS AND ALTERATIONS         | 96m²                          | 429          | A.SHARE                | 4/4/2012       | 19/04/2012     |

|                 |                                           |                              |       |                        |                                             |            |                |
|-----------------|-------------------------------------------|------------------------------|-------|------------------------|---------------------------------------------|------------|----------------|
| 21948           | 45 PRES STEYN STREET<br>ROUXVILLE         | NEW HOUSE                    | 192m² | 45                     | Mr & MRS<br>SETLABA                         | 11/5/2012  | 18/05/2012     |
| 28217           | PIETERSRUST                               | CELL C TOWER<br>BASE         |       |                        | CELL C                                      | 11/4/2012  | 31/05/2012     |
| Paid internet   | ERF 13<br>SMITHFIELD                      |                              |       | 13                     | FIBRE CO<br><br>TELE-<br>COMMUNICA<br>TIONS | 30/05/2012 | 31/05/2012     |
| 10790           | 12 B KLOPPER<br>STR SMITHFIELD            | NEW HOUSE                    | 279m² | 354<br>SUBDIVISI<br>ON | R. KHABO                                    | 24/05/2012 | IN<br>PROGRESS |
| 10789           | 127 LEBAKENG<br>STR<br>ROLELERATHUN<br>YA | ADDITIONS AND<br>ALTERATIONS | 73 m² | 127                    | T.F. AUGUST                                 | 24/05/2012 | IN<br>PROGRESS |
| NOT PAID<br>YET | free state dept of<br>agriculture         | fish breeding structure      |       | muns land              | MOHOKARE<br>MUN                             | 20/06/2012 | IN<br>PROGRESS |
| NOT PAID<br>YET | 74 MILLER STR<br>SMITHFIELD               | COTTAGE                      | 29.7  | 73                     | E. ELIAS                                    | 19/06/2012 | IN<br>PROGRESS |
| NOT PAID<br>YET | 75 MILLER STR<br>SMITHFIELD               | COTTAGE                      | 29.7  | 74                     | E. ELIAS                                    | 19/06/2013 | IN<br>PROGRESS |
| 10858           | 181 PRES<br>BOSHOFF STR<br>ROUXVILLE      | NEW HOUSE                    | 335M² | 181                    | L.C.<br>LEBAKENG                            | 11/6/2012  | IN<br>PROGRESS |
| NOT PAID<br>YET | 29 KOMANI STR<br>ROLELEATHUNY<br>A        | ADDITIONS AND<br>ALTERATIONS | 53    | 29                     | N.C. MVIMBI                                 | 7/6/2012   | IN<br>PROGRESS |

### 5.2.3. Local Economic Development (Including Tourism & Markets)

#### **Introduction**

Mohokare has dedicated positions within the organizational structure to ensure proper planning and development, to even explore the potential of tourism promotion in our area. Being a municipality that shares a border with Lesotho presents opportunities that need to be explored and projects initiated. The landscape of the Municipality is not posing serious challenges in terms of property development, business development and better management of land.

Local Economic Development is a process through which public, business, labor, government and non-governmental sector partners work collectively to identify, utilize and harness resources to stimulate local economy, with an aim of increasing local income and creating new job opportunities through enhancing the community's ability to adapt to and cope with changing economic conditions.

#### **LED Strategy**

The LED Strategy was adopted in 2006 and has not been reviewed to date. None review of the said document poses serious challenges to municipal set objectives of local economic development. Economic opportunities and challenges are not static but are dynamic and changes daily, and for municipality to stay ahead of time in advancing economic development, the institution needs to have a plan to review its LED Strategy on annual basis as is the case with IDP.

Municipality has been unable to review its LED plan because of financial challenges. Letters has been written to COGTA requesting financial assistance but to date municipality is still waiting for a response. There was also a commitment made by the said department through its MISA (Municipal Infrastructure Support Agency) program to assist the municipality with the review and the institution is still waiting to hear from the department.

#### **High impact projects**

Current there are no high impact projects running in the municipality. Be it noted that 80% of municipality's population is indigent and grant dependent, and its arrangement poses serious challenges when it comes to investment. No right thinking investors would invest their money in an area where 80% of the population is earning below poverty line. Our area's economic status therefore leaves us with no option but to limit our thinking and focus on projects that are feasible in nature like the co-operatives, rather than having a beautiful but unrealistic shopping list.

For the record the following high impact projects have been proposed and applications submitted to municipality:

- Meat processing by NAFU
- Petrol Station by Blue Oak

Meat processing application was approved by council but there's no progress in getting the project off the ground, and on the other hand Blue Oak indicated that they had funding but their application is not yet approved three years after submission.

Poverty alleviation support

From June 2012, COGTA through its Community Work Program created 106 jobs for local people. The work is multi sectoral that covers areas of Agriculture, Environment, Construction, Social and Economic. This program contributes to public and community goods and services.

Measures taken to improve performance

NQF Level 4 training on LED(LGSETA and DBSA) provided to the LED Officer

### **Economic Activity**

Per sector

Agro-processing – 10

Hospitality – 5

Food security vegetable farming – 14

Aqua-culture has been funded but still has to get off the ground

Research done

No research done with the entities.

### **Job Opportunities**

Employment research

Be it noted that the municipality is faced with a serious challenge of unemployment. Research indicates that 80% of the entire population in Mohokare is registered as indigents. This abnormally high percentage of grant dependent individuals makes it practically impossible for investors to come and invest in the area. As a result of this challenge the LED unit conducted its own research on alternative means of job creation and the following were identified:

- Upgrading and managing Kloof dam resort through PPP
- Commercialization of Magaleen border post
- Cooperatives program
- Commercial land audit

## UPGRADING AND MANAGING THE KLOOF DAM RESORT THROUGH PPP

The Kloofdam resort is a municipal property which used to be rented out to individuals for overnight stay as well as for hosting picnics and braai festivities particularly during the festive season. This resort is currently not in use since municipality does not have staff to manage it and requires a lot of money to put it back to its former glory. Business plan has been compiled and sent to the office of the premier requesting financial assistance for the upgrading of the resort and municipality is still awaiting a response in this regard.

Alternatively the municipality can put it on advertisement and get a private person to run it on partnership basis. This arrangement can lead to job creation and income generation for the municipality.

## COMMERCIALIZATION OF MAGALEEN BORDER POST

Magaleen border post is shared between the town of Zastron in the Free State and the mountain kingdom town of Mofokeng. Prior to the eighties the post was commercialized and trade between the said towns was booming with the town of Zastron reaping most economic benefits since Lesotho citizens were the ones who were doing their shopping on this side of the border. For reasons unknown to the business communities in both towns, the then regime decided to de-commercialize the border sometime in the mid-eighties, subjecting hundreds of our people to jobless and poverty. Research has proved that re-commercializing the border will lead to economic development which in turn will lead to job creation and poverty alleviation, particularly for the Zastron residents. Be it noted that the current economic development of Zastron is owed largely to the past business transactions which happened between our area and Lesotho.

## COOPERATIVES PROGRAM

This program is one of the best solutions towards job creation and poverty alleviation. Municipality through its partnership with IDT registered ten cooperatives with then members each, totaling hundred beneficiaries in all. In an event that all ten cooperatives get financial assistance and start operating fully, they can create jobs for almost 250 individuals, which is a significantly large number according to our area's population size. This is a reason why the LED unit still pursues this program further against suggestions that this it does not work.

## COMMERCIAL LAND AUDIT

Municipality has a vast pieces of land along N6 both in Rouxville and Smithfield. Unfortunately the said land is not audited and therefore still unknown to the potential investors out there. If the said land can be audited and the report thereof advertised, there is a possibility that municipality can attract the needed investment into the area bearing in mind the strategic geographic position of the land in question.

## **Conclusion**

Be it noted that municipality does not fund projects, the Municipality's primary task is to create enabling environment for business growth and local economic development.

From financial year 2008/09 to 2010/11 local economic development highly depended on projects which were funded by sector departments as well as National Government (COGTA, Public Works and Treasury). However, it must be noted that the 2010/11 EPWP program was suspended due to budgetary constraints.

Mohokare Local Municipality is currently engaging in strategies of addressing unemployment, through focusing on the cooperatives program, ten (10) cooperatives have been registered and trained in Mohokare and the project is on its third face.

We are also in also in a process of establishing tourism forums which are intended to assist the municipality to unearth/ explore local tourism potential and also tap on opportunities that are availed by this sector.

Only one (1) co-operative had received funding and the funding application for three co-operatives has been done to NDA and awaiting as to which and how many will be funded to each.

Local Economic Development is a process through which public, business, labor, government and non-governmental sector partners work collectively to identify, utilize and harness resources to stimulate local economy, with an aim of increasing local income and creating new job opportunities through enhancing the community's ability to adapt to and cope with changing economic conditions.

The Expanded Public Works Program (EPWP) accounts for the creation of most job opportunities as indicated on the table below, with remarkable growth during 2010/11 financial year. However, EPWP projects for the year under review could not be ascertained.

| Employees: LOCAL ECONOMIC DEVELOPMENT |                 |                                   |              |           |            |
|---------------------------------------|-----------------|-----------------------------------|--------------|-----------|------------|
| Job Level                             | 2010/11         | Ending 30 <sup>th</sup> June 2012 |              |           |            |
|                                       | Number of Posts | Number of Posts                   | Posts filled | Vacancies | % Variance |
| 0-3                                   |                 |                                   |              |           |            |
| 4-6                                   |                 |                                   |              |           |            |
| 7-9                                   |                 |                                   |              |           |            |
| 10-12                                 | 02              | 02                                | 01           | 01        | 50         |
| 13-15                                 | 01              | 01                                | 01           | 0         | 100        |
| 16-18                                 |                 |                                   |              |           |            |
| 19-20                                 |                 |                                   |              |           |            |
| <b>TOTAL</b>                          | <b>03</b>       | <b>03</b>                         | <b>02</b>    | <b>01</b> | <b>67</b>  |

Please note that the financial performance information of Local Economic Development is included in the previous section of Planning Services.

Be it noted that municipality does not fund projects, the Municipality's primary task is to create enabling environment for business growth and local economic development.

From financial year 2008/09 to 2010/11 local economic development highly depended on projects which were funded by sector departments as well as National Government (COGTA, Public Works and Treasury). As indicated in the table above, EPWP accounts for the creation of most job opportunities in the municipality. However, it must be noted that the 2010/11 EPWP program has been suspended due to budgetary constraints.

Mohokare Local Municipality is currently engaging in strategies of addressing unemployment, through focusing on the cooperatives program, ten (10) cooperatives have been registered and trained in Mohokare and the project is on its third face.

We are also in a process of establishing tourism forums which are intended to assist the municipality to unearth / explore local tourism potential and also tap on opportunities that are availed by this sector.

#### 5.2.4. Environmental Management

Mohokare Local Municipality as a plenary type of Council and as per the direction and guidance of the Local Government Municipal Powers & Functions, is not responsible for Environmental Management, this is a district function, however as a sphere of Government we deem ourselves responsible for the well-being of our communities, even though legislatively we can only facilitate the implementation part of the environmental management.

# **ENVIRONMENTAL PERFORMANCE REPORT**

## **MOHOKARE LOCAL MUNICIPALITY**

**2011/2012**

### **INTRODUCTION**

The term environment refers to organizations natural and human surroundings. An organization's environment extends from within the organization itself to the global system, and it includes, air, water, land, flora, fauna, as well as human beings. Environmental management basically refers to the management of the environment in ways that help the environment. The Mohokare Local Municipality has to fulfill a legislative mandate as per its objects of local government in terms of section 152(d) of the Constitution of the Republic of Southern Africa. It also aims provide its inhabitants with their environment rights in terms of section 24 of the Constitution. This legislative mandate is performed by the municipality by the Community Services Directorate. The Directorate is responsible for the effective and efficient management of the service in order to promote a safe and healthy environment for its inhabitants, whilst at the same time promoting justifiable economic and social development.

### **LEGISLATION**

In the context of environmental management, the Mohokare Local Municipality is required by law to adhere to the principals and objectives of environmental law. Examples of legislation that the municipality is required to implement for effective and efficient good governance, includes among others the following:

Environmental Management Act, 1998 (Act 107 of 1998):

National Environmental Management: Waste Act, 2008 (Act no 59 of 2008)

National Environmental Management: Air Quality Act, 2004 (Act no 39 of 2004)

National Environmental Management: Biodiversity Act,

National Water Act, 1998 (Act no 39 of 1998)

Water Services Act, 2007 (Act no 30 of 2007)

Environmental Conservation Act, 1989 (Act no 73 of 1989)

### **ENVIRONMENTAL PROGRAMMES AND ACTIVITIES**

The Mohokare Local Municipality actively participated in environmental health and management service provision with the assistance of its mother body, the Xhariep District Municipality. The following are highlights of environmental performance activities carried out and strides made by the municipality in meeting its constitutional mandates:

#### **WORLD ENVIRONMENT DAY:**

The month of June marks the celebration of World Environment Day. The 5<sup>th</sup> of June is bestowed as the day on which environmental issues and the environment is celebrated. . The theme for the 2011 World Environment day was “Forests: Nature at your service”.

On the 1<sup>st</sup> of June 2012, Samuel Johnson Intermediate School participated in the cleaning of the park located at the Zastron entrance and; on the 2<sup>nd</sup> of June 2012, a clean-up campaign was conducted at Rouxville with the assistance from learners of the Naledi Intermediate School. The

celebrations and knowledge sharing on environmental matters, was a huge success and the schools were thanked for their participation and future involvement was encouraged

#### **NATIONAL ARBOR WEEK CELEBRATIONS:**

September marks the celebration of Arbor, Heritage and Tourism month on the South African Calendar. On the 1<sup>st</sup> of September 2011, the Mohokare Local Municipal area of jurisdiction was visited by the Disaster Management, Local Economic Development as well as the Environmental Health Divisions of the Xhariep District Municipality. On the day, the Samuel Johnson Intermediate School was the earmarked school for environmental awareness bringing. The history around Arbor Day was shared with learners and awareness was brought on the following topical matters:

- A background on Arbor
- The Importance of Trees
- The use of trees
- The impact a world without trees will have on the environment as well as human beings and;
- Social development matters pertaining thereto

#### **NATIONAL CLEAN-UP WEEK:**

The week of the 12-16<sup>th</sup> of September of a year is designated as the National Clean-Up Week in South Africa. In celebrating this week, the Mohokare Local Municipality, in partnership with the Free State Department of Economic Development, Tourism and Environmental Affairs (DETEA) took the time to clean areas burdened with waste in the identified areas of Matlakeng. The aim of the campaign was to raise awareness to the public on the importance of maintaining clean and healthy living spaces as well as the environment as a whole. Mohokare is faced with a huge waste burden, and during this celebration, the community members of Mohokare came out in their numbers to assist with the cleaning of pre-identified waste burdened areas. The day also saw the planting of trees on the premise of the new cemetery (on S2 road to Lesotho), the Zama Primary School and the Lere La Thuto Secondary School.

## **CLEANING AND GREENING PROGRAMME:**

The Mohokare Local Municipality launched on the 10<sup>th</sup> of December 2010, the Mohokare Goes Green Programme. The programme is in support of the National Department of Environmental Affairs' greening framework. The campaign is aimed at creating environmental awareness on issues contributing to climate change and how we as municipalities can play an active role in preventing and becoming sustainable local government authorities. The launch was also based on the municipality's participation in the National Greenest Municipality Competition as presented by the Free State: Department of Economic Development, Tourism and Environmental Affairs (DETEEA). The Greenest Municipality Competition incorporates elements that provide a broader focus on environmental and social economic issues.

In support of the above programme, the Mohokare Local Municipality implemented from the 15<sup>th</sup> of January 2012, its first cleaning and greening programme which was a six month incentive based employment opportunity; under the umbrella of the Free State Department of Public Works' Extended Public Works Programme. The objectives of the programme were:

- To promote sustainable living environments
- Beautification of parks and newly established cemeteries
- To promote through health and hygiene awareness the management of waste
- To promote the through the green economy, job creation with the assistance of the Local Economic Development Department of the Municipality
- To green the environment, by planting trees with the support of stakeholder departments

The programme has demonstrated remarkable improvement in the overall environmental outlook of the towns: Rouxville, Smithfield and Zastron. The programme has seen the cleaning of parks and open spaces, the unclogging of stormwater channels, reducing the number of illegal dumping sites and the reduction of waste blown litter in the Central Business District of each town. The programme has also proven that the municipality is meeting its constitutional mandate of promoting justifiable economic and social development by providing ten (10) individuals with remuneration for six month period.

## **INCINERATOR: GOEDEMOED PRISON FARM:**

The Environmental Health Division of the Xhariep District Municipality has been mandated by the National Department of Environmental Affairs to carry out the Air Quality Management function. The mandate is to receive and carry out air quality related activities including the monitoring and evaluation of any atmospheric emissions as described by the National Environmental Management: Air Quality Act, 2004 (Act 39 of 2004). The Air Quality Act provides national norms and standards regulating air quality monitoring, management and control in all spheres of government, for specific air quality measures, and for matters incidental thereto.

The Free State Provincial Department of Public Works lodged an application for an Atmospheric Emissions License for the Goedemoed Correctional Services Centre, which is located within the municipal jurisdiction of the Mohokare Local Municipality. The incinerator will be used for the purpose of the incineration of animal carcasses. The ash produced from incineration will be delisted to ensure that it is not hazardous, and disposed of at the new landfill site that is currently under construction. The licensing process was adhered to and; with the assistance from the Free State Department of Economic Development, Tourism and Environmental Affairs, a Provisional Atmospheric Emissions License was issued to the applicant and shall be valid for a period of 12 months from date of issue, and shall be renewable six months prior to expiration. The activities will be monitored and reported on by the Environmental Division of the Xhariep District Municipality to the local to ensure that they are on par with any environmental matters and anything incidental thereto.

## **WATER AND WASTEWATER QUALITY MANAGEMENT**

Good municipal relations exist between the Environmental Division and the Infrastructure Directorate of the Municipality. Therefore, all matters relating to water and wastewater quality as per the roles of responsibilities of the Municipality will be discussed under the Infrastructure Directorate of this report.

## **ENVIRONMENTAL ACTIVITIES: 2011/2012**

| SUMMARY EMPLOYEES: OFFICE OF THE MM |                        |                                   |              |           |              |
|-------------------------------------|------------------------|-----------------------------------|--------------|-----------|--------------|
| Job Level                           | 2010/11                | Ending 30 <sup>th</sup> June 2012 |              |           |              |
|                                     | Number of Posts Filled | Number of Posts                   | Posts filled | Vacancies | % Variance   |
| Office of Director                  |                        | 02                                | 02           | 0         | 0            |
| Planning (excl LED)                 |                        | 05                                | 04           | 01        | 20           |
| LED                                 |                        | 03                                | 02           | 01        | 33.33        |
| Internal Audit                      |                        | 03                                | 0            | 03        | 100          |
| Risk Manag (Shared Service)         |                        | 02                                | 01           | 01        | 50           |
| Security Services                   |                        | 11                                | 0            | 11        | 100          |
|                                     |                        |                                   |              |           |              |
| <b>TOTAL</b>                        |                        | <b>26</b>                         | <b>09</b>    | <b>17</b> | <b>65.38</b> |

| FINANCIAL PERFORMANCE: OFFICE OF MM ( Exc LED & PLANNING) |          |                 |                 |            |                    |
|-----------------------------------------------------------|----------|-----------------|-----------------|------------|--------------------|
|                                                           | Actual   | Original Budget | Adjusted Budget | Actual     | Variance to Budget |
| Total operating revenue                                   | 0        | 1 124 368       | 1 328 952       | 0          | 1 328 952          |
| Expenditure:                                              |          |                 |                 |            |                    |
| Employees                                                 | 736 547  | 939 178         | 1 094 681       | 1 068 584  | 26 097             |
| Repairs and maintenance                                   | 0        | 0               | 0               | 0          | 0                  |
| Other                                                     | 196 288  | 185 191         | 234 271         | 2 129 103  | -1 894 832         |
| Total operating expenditure                               | 932 835  | 1 124 368       | 1 328 952       | 3 197 687  | -1 868 735         |
| <b>Net operating revenue/ expenditure</b>                 | -932 835 | 0               | 0               | -3 197 687 | 3 197 687          |

### 5.3. Community Services

#### 5.3.1 Library Services

| EMPLOYEES: LIBRARY SERVICES |                 |                                   |              |           |            |
|-----------------------------|-----------------|-----------------------------------|--------------|-----------|------------|
| Job Level                   | 2010/2011       | Ending 30 <sup>th</sup> June 2012 |              |           |            |
|                             | Number of Posts | Number of Posts                   | Posts filled | Vacancies | % Variance |
| 0-3                         |                 |                                   |              |           |            |
| 4-6                         |                 |                                   |              |           |            |
| 7-9                         |                 |                                   |              |           |            |
| 10-12                       | 03              | 03                                | 03           | 0         | 0          |
| 13-15                       |                 |                                   |              |           |            |
| 16-18                       |                 |                                   |              |           |            |
| 19-20                       |                 |                                   |              |           |            |
| <b>TOTAL</b>                | <b>03</b>       | <b>03</b>                         | <b>03</b>    | <b>0</b>  | <b>0</b>   |

| LIBRARY SERVICES: FINANCIAL PERFORMANCE ENDING 30 <sup>th</sup> JUNE 2012 |                 |                 |                 |                 |                    |
|---------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|--------------------|
| Details                                                                   | Actual          | Original Budget | Adjusted Budget | Actual          | Variance to Budget |
| Total operating revenue                                                   | 67              | 1 232 045       | 972 804         | 78              | 972 726            |
| Expenditure:                                                              |                 |                 |                 |                 |                    |
| Employees                                                                 | 890 857         | 1 191 657       | 939 259         | 939 404         | -145               |
| Repairs and maintenance                                                   | 0               | 12 416          | 0               | 0               | 0                  |
| Other                                                                     | 45 064          | 40 388          | 33 545          | 11 643          | 21 902             |
| Total operating expenditure                                               | 935 921         | 1 244 460       | 972 804         | 951 046         | 21 758             |
| <b>Net operating revenue/<br/>expenditure</b>                             | <b>-935 854</b> | <b>-12 416</b>  | <b>0</b>        | <b>-950 968</b> | <b>950 968</b>     |

The Municipality is still awaiting the finalization of the dissolution of services process with regards to the library services, because the department of Sport, Arts & Culture is supposed to absorb the Human Capital that the Municipality is currently funding. There are 5 (five) libraries in Mohokare Local Municipality and they operate in the following manner;

## Operating hours and days

### Rouxville Public Library

| Days      | Time of starting work | Interval of work<br>(Lunch) | Time of finishing |
|-----------|-----------------------|-----------------------------|-------------------|
| Monday    | 8h00                  | 13H00-13H30                 | 16H30             |
| Tuesday   | 8h00                  | 13H00-13H30                 | 16H30             |
| Wednesday | 8h00                  | 13H00-13H30                 | 16H30             |
| Thursday  | 8h00                  | 13H00-13H30                 | 16H30             |
| Friday    | 8h00                  | 13H00-13H30                 | 16H30             |
| Saturday  | 8h00                  |                             | 13h00             |

### Roleleathunya: Albert Nzula Public Library

| Days      | Time of starting work | Interval of work<br>(Lunch) | Time of finishing |
|-----------|-----------------------|-----------------------------|-------------------|
| Monday    | 8h00                  | 13H00-13H30                 | 16H30             |
| Tuesday   | 8h00                  | 13H00-13H30                 | 16H30             |
| Wednesday | 8h00                  | 13H00-13H30                 | 16H30             |
| Thursday  | 8h00                  | 13H00-13H30                 | 16H30             |
| Friday    | 8h00                  | 13H00-13H30                 | 16H30             |
| Saturday  | 8h00                  |                             | 13h00             |

### Smithfield/Mofulatshepe

| Days      | Time of starting work | Interval of work<br>(Lunch) | Time of finishing |
|-----------|-----------------------|-----------------------------|-------------------|
| Monday    | 8h00                  | 13H00-13H30                 | 16H30             |
| Tuesday   | 8h00                  | 13H00-13H30                 | 16H30             |
| Wednesday | 8h00                  | 13H00-13H30                 | 16H30             |
| Thursday  | 8h00                  | 13H00-13H30                 | 16H30             |
| Friday    | 8h00                  | 13H00-13H30                 | 16H30             |
| Saturday  | 8h00                  | N/A                         | 13h00             |

### Zastron: Zastron Public Library

| Days      | Time of starting work | Interval of work<br>(Lunch) | Time of finishing |
|-----------|-----------------------|-----------------------------|-------------------|
| Monday    | 8h00                  | 13H00-13H30                 | 16H30             |
| Tuesday   | 8h00                  | 13H00-13H30                 | 16H30             |
| Wednesday | 8h00                  | 13H00-13H30                 | 16H30             |
| Thursday  | 8h00                  | 13H00-13H30                 | 16H30             |
| Friday    | 8h00                  | 13H00-13H30                 | 16H30             |
| Saturday  | 8h00                  |                             | 13h00             |

## Matlakeng: Matlakeng Public Library

| Days      | Time of starting work | Interval of work (Lunch) | Time of finishing |
|-----------|-----------------------|--------------------------|-------------------|
| Monday    | 8h00                  | 13H00-13H30              | 16H30             |
| Tuesday   | 8h00                  | 13H00-13H30              | 16H30             |
| Wednesday | 8h00                  | 13H00-13H30              | 16H30             |
| Thursday  | 8h00                  | 13H00-13H30              | 16H30             |
| Friday    | 8h00                  | 13H00-13H30              | 16H30             |
| Saturday  | 8h00                  |                          | 13h00             |

### 5.3.2. Traffic Safety & Management

The traffic management division is currently the operating from the Smithfield offices in the Tow Hall, Personnel consists of 5 (five) Males, 3 traffic officers, 1 Security Manager and 1 Administration Clerk.

There is also 1 (one) camera utilized to issue penalties to defaulters and summon those who fail to pay before the court

Camera operations in terms of taking images and processing them through a system, verifying personal data, offence, car registration, owner's details/particulars and adjudication before sending 341 notices is not in place.

All operations with the cameras was suspended by the Director of Public Prosecution Free State and all outstanding camera fines were withdrawn by the Director of Public Prosecution Free State, no further prosecution on those fines or payments allowed.

The Traffic offices were re-opened in mid-December 2010, Law Enforcement is done by hand and results are good but not as it were with camera operations

| EMPLOYEES: TRAFFIC |                 |                                   |              |           |              |
|--------------------|-----------------|-----------------------------------|--------------|-----------|--------------|
| Job Level          | 2010/11         | Ending 30 <sup>th</sup> June 2012 |              |           |              |
|                    | Number of Posts | Number of Posts                   | Posts filled | Vacancies | % Variance   |
| 0-3                |                 |                                   |              |           |              |
| 4-6                |                 | 01                                | 01           | 0         | 0            |
| 7-9                | 02              | 05                                | 02           | 03        | 60           |
| 10-12              | 02              |                                   |              |           |              |
| 13-15              |                 | 01                                | 01           | 0         | 0            |
| 16-18              |                 |                                   |              |           |              |
| 19-20              |                 |                                   |              |           |              |
| <b>TOTAL</b>       | <b>04</b>       | <b>07</b>                         | <b>04</b>    | <b>03</b> | <b>42.86</b> |

Please note that the HR financial performance of Traffic Management is included within the Roads& Storm Water Services, this is due to the arrangements as set out in the 2010/2011 Budget.

#### 5.3.3. Disaster Management

Disaster management as stated before is a district function in terms of the allocation of powers and functions and information was not yet available by the time of printing the 11/12 draft annual performance report.

#### 5.3.4 Social Facilities (Parks, Recreation, Sports Facilities& Cemeteries)

| EMPLOYEES: SOCIAL FACILITIES |                 |                                   |              |           |              |
|------------------------------|-----------------|-----------------------------------|--------------|-----------|--------------|
| Job Level                    | 2010/11         | Ending 30 <sup>th</sup> June 2012 |              |           |              |
|                              | Number of Posts | Number of Posts                   | Posts filled | Vacancies | % Variance   |
| 0-3                          |                 |                                   |              |           |              |
| 4-6                          | 26              | 30                                | 22           | 08        | 26.67        |
| 7-9                          |                 |                                   |              |           |              |
| 10-12                        | 01              |                                   |              |           |              |
| 13-15                        |                 |                                   |              |           |              |
| 16-18                        |                 |                                   |              |           |              |
| 19-20                        |                 |                                   |              |           |              |
| <b>TOTAL</b>                 | <b>27</b>       | <b>30</b>                         | <b>22</b>    | <b>08</b> | <b>26.67</b> |

| SOCIAL FACILITIES (SPORTS FACILITIES, CEMETERIES & CONTROL OF ANIMALS): FINANCIAL PERFORMANCE<br>ENDING 30 <sup>th</sup> JUNE 2012 |                   |                  |                  |                    |                    |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------|------------------|--------------------|--------------------|
| Details                                                                                                                            | Actual            | Original Budget  | Adjusted Budget  | Actual             | Variance to Budget |
| Revenue: Sports                                                                                                                    | 629               | 2 115 669        | 1 741 223        | 2 493              | 1 738 730          |
| Revenue: Cemetr                                                                                                                    | 45 514            | 115 506          | 105 506          | 27 370             | 78 136             |
| Revenue: Animal                                                                                                                    | 639               | 228 925          | 189 648          | 1 171              | 188 477            |
| <b>Total operating revenue</b>                                                                                                     | <b>46 781</b>     | <b>2 460 100</b> | <b>2 036 377</b> | <b>31 035</b>      | <b>2 005 342</b>   |
| Expenditure:                                                                                                                       | 0                 | 0                | 0                | 0                  | 0                  |
| Sports                                                                                                                             | 1 162 580         | 1 977 881        | 1 592 718        | 1 506 908          | 85 810             |
| Cemeteries                                                                                                                         | 0                 | 0                | 0                | 0                  | 0                  |
| Animals                                                                                                                            | 143 442           | 179 139          | 154 758          | 155 178            | -420               |
| <b>Employees</b>                                                                                                                   | <b>1 306 022</b>  | <b>2 157 020</b> | <b>1 747 476</b> | <b>1 662 086</b>   | <b>85 391</b>      |
| Sports                                                                                                                             | 9 309             | 33 921           | 28 843           | 9 576              | 19 267             |
| Cemeteries                                                                                                                         | -2 520            | 98 824           | 88 824           | -5 512             | 94 337             |
| Animals                                                                                                                            | 0                 | 31 530           | 31 530           | 0                  | 31 530             |
| <b>Repairs and maintenance</b>                                                                                                     | <b>6 789</b>      | <b>164 275</b>   | <b>149 197</b>   | <b>4 063</b>       | <b>145 133</b>     |
| Sports                                                                                                                             | 1 495 146         | 103 867          | 119 663          | 15 695 314         | -15 575 651        |
| Cemeteries                                                                                                                         | 12 226            | 16 682           | 16 682           | 12 720             | 3 962              |
| Animals                                                                                                                            | 11 120            | 18 256           | 3 360            | 92 250             | -88 890            |
| <b>Other</b>                                                                                                                       | <b>1 518 492</b>  | <b>138 805</b>   | <b>139 704</b>   | <b>15 800 284</b>  | <b>-15 660 580</b> |
| Total operating expenditure                                                                                                        | 2 831 303         | 2 460 100        | 2 036 377        | 17 466 433         | -15 430 056        |
| <b>Net operating revenue/<br/>expenditure</b>                                                                                      | <b>-2 784 522</b> | <b>0</b>         | <b>0</b>         | <b>-17 435 399</b> | <b>17 435 399</b>  |

### 5.3.5 Other Community Services

| OTHER COMMUNITY SERVICES (Inc COUNCIL PROPERTIES & COMMUNITY HALLS): FINANCIAL PERFORMANCE ENDING 30 <sup>th</sup> JUNE 2012 |                   |                  |                  |                   |                    |
|------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------|------------------|-------------------|--------------------|
| Details                                                                                                                      | Actual            | Original Budget  | Adjusted Budget  | Actual            | Variance to Budget |
| Other Comm                                                                                                                   | 0                 | 1 627 194        | 1 403 856        | 0                 | 1 403 856          |
| Council Propert                                                                                                              | 198 266           | 439 439          | 1 550 000        | 295 373           | 1 254 627          |
| Halls                                                                                                                        | 9 326             | 416 364          | 346 778          | 6 689             | 340 088            |
| <b>Total operating revenue</b>                                                                                               | <b>207 592</b>    | <b>2 482 997</b> | <b>3 300 634</b> | <b>302 062</b>    | <b>2 998 572</b>   |
| Expenditure:                                                                                                                 | 0                 | 0                | 0                | 0                 | 0                  |
| Other Comm                                                                                                                   | 980 618           | 1 652 597        | 1 260 426        | 1 327 453         | -67 027            |
| Council Propert                                                                                                              | 0                 | 0                | 0                | 0                 | 0                  |
| Halls                                                                                                                        | 224 690           | 288 747          | 240 005          | 233 503           | 6 501              |
| <b>Employees</b>                                                                                                             | <b>1 205 307</b>  | <b>1 941 344</b> | <b>1 500 431</b> | <b>1 560 956</b>  | <b>-60 525</b>     |
| Other Comm                                                                                                                   | 58                | 131 434          | 131 307          | 0                 | 131 307            |
| Council Propert                                                                                                              | 0                 | 209 155          | 1 500 000        | 0                 | 1 500 000          |
| Halls                                                                                                                        | 10 110            | 16 029           | 4 644            | 2 360             | 2 284              |
| <b>Repairs and maintenance</b>                                                                                               | <b>10 168</b>     | <b>356 618</b>   | <b>1 635 951</b> | <b>2 360</b>      | <b>1 633 590</b>   |
| <b>Interest Expen</b>                                                                                                        | <b>-1 780 205</b> | <b>0</b>         | <b>0</b>         | <b>-16 834</b>    | <b>16 834</b>      |
| Other Comm                                                                                                                   | 153 401           | 174 043          | 143 203          | 101 673           | 41 530             |
| Council Propert                                                                                                              | 569 289           | 230 285          | 50 000           | 124 863           | -74 863            |
| Halls                                                                                                                        | 158 052           | 111 588          | 102 129          | 232 722           | -130 593           |
| <b>Other</b>                                                                                                                 | <b>880 743</b>    | <b>515 916</b>   | <b>295 332</b>   | <b>459 258</b>    | <b>-163 926</b>    |
| Total operating expenditure                                                                                                  | 316 013           | 2 813 877        | 3 431 714        | 2 005 741         | 1 425 973          |
| <b>Net operating revenue/<br/>expenditure</b>                                                                                | <b>-108 421</b>   | <b>-330 880</b>  | <b>-131 080</b>  | <b>-1 703 678</b> | <b>1 572 598</b>   |

### 5.3.6 Summary Employees: Community Services

| SUMMARY EMPLOYEES: COMMUNITY SERVICES |                        |                                   |              |           |              |
|---------------------------------------|------------------------|-----------------------------------|--------------|-----------|--------------|
| Job Level                             | 2010/11                | Ending 30 <sup>th</sup> June 2012 |              |           |              |
|                                       | Number of Posts Filled | Number of Posts                   | Posts filled | Vacancies | % Variance   |
| Office of Director                    |                        | 08                                | 04           | 04        | 50           |
| Amenities                             |                        | 30                                | 22           | 08        | 26.67        |
| Human Settlement                      |                        | 04                                | 03           | 01        | 25           |
| Land                                  |                        | 06                                | 0            | 06        | 100          |
| Waste Management                      |                        | 61                                | 38           | 23        | 37.71        |
| Traffic                               |                        | 07                                | 04           | 03        | 42.86        |
| Library Services                      |                        | 03                                | 03           | 0         | 100          |
| <b>TOTAL</b>                          | <b>N/A</b>             | <b>119</b>                        | <b>74</b>    | <b>45</b> | <b>37.82</b> |

## 5.4. Corporate Services

Me LV Nqoko-Rametse

### 5.4.1 Policy Development

Corporate Services facilitated the development of different municipal policies as to address the backlog on those policies not in place. The following policies exist within the Municipality;

1. Code of Conduct and Ethics
2. Introducing New Employees
3. Educational Assistance Policy
4. Maternity Leave
5. Telephone & Dress Code Policies
6. Internet, Computer network and Electronic Appliance Policy
7. Smoking
8. Sexual Harassment
9. HIV/AIDS
10. Health & Safety
11. Compensation for Occupational Health & Injuries
12. Ending the Employment Relationship
13. Policy on Voluntary Workers
14. Transport Policy
15. Overtime
16. Subsistence & Traveling Costs
17. Council Employment Policy
18. Language Policy
19. Disciplinary & Grievance Policy
20. Credit Control, Debt Collecting & writing-off Policy
21. Cemeteries
22. Vehicle Replacement
23. Procurement Policy  
(Procurement /SCM)
24. Customer Care Policy
25. Commonage Policy
26. Banking & Investment
27. Procedure followed on Appointments
28. Telephone Policy (Land line)
29. Municipal Supply Chain Management Policy
30. Communication Policy

31. Recruitment and Selection
32. Casual Workers
33. Rates Policy
34. Indigent Policy
35. Skills Development Policy
36. Free basic Water Policy
37. Employment Equity Policy
38. Paupers Burial Policy
39. Human Resources Manual
40. Records Management Policy
41. Tariff Policy
42. Recruitment and Selection Policy
43. Anti-Fraud and Anti-Corruption Strategy
44. Sites Policy
45. Property Rates Policy
46. Fleet Policy
47. Policy Guidelines for Civic Funerals (Councilors)

However, the following policies were reviewed/ approved by Council for the reporting year:

1. Travelling and Subsistence Policy
2. Communication Strategy and Communication Policy
3. Draft Placement Policy
4. Submission of Employment Equity Plan
5. Draft Staff Retention Policy
6. Risk Management Strategy, Policy Framework
7. Building Procedure Manual/ Policy
8. Review of Paupers Burial Policy

## 5.4.2. Administration

| EMPLOYEES: ADMINISTRATION |                 |                                   |              |           |              |
|---------------------------|-----------------|-----------------------------------|--------------|-----------|--------------|
| Job Level                 | 2010/11         | Ending 30 <sup>th</sup> June 2012 |              |           |              |
|                           | Number of Posts | Number of Posts                   | Posts filled | Vacancies | % Variance   |
| 0-3                       |                 |                                   |              |           |              |
| 4-6                       |                 | 13                                | 11           | 02        | 15.39        |
| 7-9                       |                 |                                   |              |           |              |
| 10-12                     |                 | 04                                | 03           | 01        | 25           |
| 13-15                     |                 | 01                                | 01           | 0         | 0            |
| 16-18                     |                 |                                   |              |           |              |
| 19-20                     |                 |                                   |              |           |              |
| <b>TOTAL</b>              | <b>N/A</b>      | <b>18</b>                         | <b>15</b>    | <b>03</b> | <b>16.67</b> |

| OTHER ADMIN: FINANCIAL PERFORMANCE ENDING 30 <sup>th</sup> JUNE 2012 |                   |                   |                 |                    |                    |
|----------------------------------------------------------------------|-------------------|-------------------|-----------------|--------------------|--------------------|
| Details                                                              | Actual            | Original Budget   | Adjusted Budget | Actual             | Variance to Budget |
| Total operating revenue                                              | 734 263           | 5 848 578         | 6 455 940       | 790 000            | 5 665 940          |
| Expenditure:                                                         |                   |                   |                 |                    |                    |
| Employees                                                            | 1 989 465         | 4 022 043         | 3 112 386       | 2 949 496          | 162 890            |
| Repairs and maintenance                                              | 0                 | 2 481             | 1 982           | 2 026              | -44                |
| Other                                                                | 3 843 055         | 5 209 702         | 4 222 290       | 7 924 473          | -3 702 183         |
| Total operating expenditure                                          | 5 832 521         | 9 234 226         | 7 336 659       | 10 875 995         | -3 539 337         |
| <b>Net operating revenue/<br/>expenditure</b>                        | <b>-5 098 257</b> | <b>-3 385 648</b> | <b>-880 718</b> | <b>-10 085 995</b> | <b>9 205 277</b>   |

### 5.4.3 Human Resource Management (HR, Labor Relations, SDF, Employee Wellness)

| EMPLOYEES: HUMAN RESOURCES MANAGEMENT |                 |                                   |              |           |              |
|---------------------------------------|-----------------|-----------------------------------|--------------|-----------|--------------|
| Job Level                             | 2010/11         | Ending 30 <sup>th</sup> June 2012 |              |           |              |
|                                       | Number of Posts | Number of Posts                   | Posts filled | Vacancies | % Variance   |
| 0-3                                   |                 |                                   |              |           |              |
| 4-6                                   | 01              | 01                                | 01           | 0         | 0            |
| 7-9                                   | 01              | 01                                | 01           | 0         | 0            |
| 10-12                                 | 03              | 06                                | 03           | 03        | 50           |
| 13-15                                 | 01              | 01                                | 01           | 0         | 0            |
| 16-18                                 |                 |                                   |              |           |              |
| 19-20                                 |                 |                                   |              |           |              |
| <b>TOTAL</b>                          | <b>06</b>       | <b>09</b>                         | <b>06</b>    | <b>03</b> | <b>33.33</b> |

| HUMAN RESOURCES MANAGEMENT: FINANCIAL PERFORMANCE ENDING 30 <sup>th</sup> JUNE 2012 |            |                 |                 |            |                    |
|-------------------------------------------------------------------------------------|------------|-----------------|-----------------|------------|--------------------|
| Details                                                                             | Actual     | Original Budget | Adjusted Budget | Actual     | Variance to Budget |
| Total operating revenue                                                             | 0          | 1 229 331       | 1 420 633       | 0          | 1 420 633          |
| Expenditure:                                                                        |            |                 |                 |            |                    |
| Employees                                                                           | 848 103    | 1 173 906       | 1 296 085       | 1 356 043  | -59 957            |
| Repairs and maintenance                                                             | 0          | 413             | 0               | 0          | 0                  |
| Other                                                                               | 156 523    | 55 012          | 124 548         | 241 308    | -116 760           |
| Total operating expenditure                                                         | 1 004 626  | 1 229 331       | 1 420 633       | 1 597 350  | -176 717           |
| <b>Net operating revenue/<br/>expenditure</b>                                       | -1 004 626 | 0               | 0               | -1 597 350 | 1 597 350          |

The following are the employee wellness activities that took place during the year under review:

- Women's Day Celebration: 09 August 2011;
- Workshop on Compensation for Occupational Injury on Duty: 18 October 2011 (conducted by the Department of Labour).
- Alcohol Abuse Education Programme: 21 October 2011 (conducted by Aurora Alcohol Service Center).
- World AIDS Day Celebration: 01 December 2011 (conducted by the FS Provincial Government).
- World AIDS Day Celebration combined with the 16 Days Activism of No Violence against Women and Children: 07 December 2011 (conducted by the FS Provincial Health).
- Medical Aid Presentation: 22 March 2012 (different medical aids).
- Mohokare Wellness Games: 25 April 2012 (sponsored by Old Mutual).

#### 5.4.4 Office of the Mayor

| EMPLOYEES: OFFICE OF THE MAYOR (Exc COUNCILLORS) |                 |                                   |              |           |              |
|--------------------------------------------------|-----------------|-----------------------------------|--------------|-----------|--------------|
| Job Level                                        | 2010/11         | Ending 30 <sup>th</sup> June 2012 |              |           |              |
|                                                  | Number of Posts | Number of Posts                   | Posts filled | Vacancies | % Variance   |
| 0-3                                              |                 |                                   |              |           |              |
| 4-6                                              |                 | 08                                | 07           | 01        | 12.5         |
| 7-9                                              |                 |                                   |              |           |              |
| 10-12                                            |                 | 06                                | 04           | 02        | 33.33        |
| 13-15                                            |                 |                                   |              |           |              |
| 16-18                                            |                 |                                   |              |           |              |
| 19-20                                            |                 |                                   |              |           |              |
| <b>TOTAL</b>                                     | <b>N/A</b>      | <b>14</b>                         | <b>11</b>    | <b>03</b> | <b>21.43</b> |

| OFFICE OF THE MAYOR (Incl COUNCILLORS): FINANCIAL PERFORMANCE ENDING 30 <sup>th</sup> JUNE 2012 |             |                 |                 |             |                    |
|-------------------------------------------------------------------------------------------------|-------------|-----------------|-----------------|-------------|--------------------|
| Details                                                                                         | Actual      | Original Budget | Adjusted Budget | Actual      | Variance to Budget |
| Total operating revenue                                                                         | 0           | 4 307 243       | 5 412 112       | 0           | 5 412 112          |
| Expenditure:                                                                                    |             |                 |                 |             |                    |
| Employees                                                                                       | 2 924 244   | 3 574 107       | 4 312 719       | 4 579 905   | -267 186           |
| Repairs and maintenance                                                                         | 1 415       | 2 241           | 88 948          | 46 570      | 42 378             |
| Other                                                                                           | 23 423 637  | 772 882         | 1 010 444       | 22 912 370  | -21 901 926        |
| Total operating expenditure                                                                     | 26 349 296  | 4 349 230       | 5 412 112       | 27 538 846  | -22 126 734        |
| <b>Net operating revenue/<br/>expenditure</b>                                                   | -26 349 296 | -41 986         | 0               | -27 538 846 | 27 538 846         |

#### 5.4.5

#### Summary Employee: Corporate Services

| SUMMARY EMPLOYEES: CORPORATE SERVICES |                        |                                   |              |           |            |
|---------------------------------------|------------------------|-----------------------------------|--------------|-----------|------------|
| Job Level                             | 2010/11                | Ending 30 <sup>th</sup> June 2012 |              |           |            |
|                                       | Number of Posts Filled | Number of Posts                   | Posts filled | Vacancies | % Variance |
| Office of Director                    |                        | 02                                | 01           | 01        | 50         |
| Human Resources                       |                        | 09                                | 06           | 03        | 33.33      |
| Administration                        |                        | 18                                | 15           | 03        | 16.67      |
| Legal Services                        |                        | 01                                | 0            | 01        | 100        |
| Political Office                      |                        | 14                                | 11           | 03        | 21.43      |
| <b>TOTAL</b>                          | <b>N/A</b>             | <b>44</b>                         | <b>33</b>    | <b>11</b> | <b>25</b>  |

**MUNICIPAL INFRASTRUCTURE GRANT**  
**ANNUAL REPORT**

Mr. MN Tsoamotse

**2011/2012 FINANCIAL YEAR**

Prepared by

Mohokare Local Municipality

P.O Box 20

Zastron

9950

Tel: 051 673 9600

Date: 13 August 2012

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## **Municipal Infrastructure Grant**

### **1. PURPOSE OF REPORT**

This report serves to inform Government on the Municipal Infrastructure Grant projects implemented by Mohokare Local Municipality during the 2011/2012 financial year.

The report also seeks to evaluate the performance of the Municipality in respect to the projects funded through MIG allocation.

### **2. BACKGROUND**

The Municipal Infrastructure Grant (MIG) was established through the merger of the Consolidated Municipal Infrastructure Programme (managed by **COGTA**), the Water Service Capital Grant (managed by DWAF), the Community Based Public Works Programme (managed by Public Works), the Building for Sports & Recreation Programme (Sport and Recreation SA), the Urban Transport Grant (Department of Police, Roads and Transport) and Electrification Funding (Department of Energy).

The aim of the grant is to provide all communities with at least a basic level of service by the year 2014 with the grant finance aimed at covering the capital cost of basic infrastructure for the poor.

This report will consolidate the following reports:

- The quarterly KPI reports
- The two social and economic reports

### **3. DISCUSSION**

The below tables gives a summary of the Municipal performance on the following: Annual Financial overview and Expenditure per project.

#### **3.1 Overall Financial Overview**

| <b>ROLL OVER<br/>AMOUNT</b> | <b>EXPENDITURE<br/>ON ROLL OVER</b> | <b>ALLOCATION</b> | <b>TRANSFERRED<br/>AMOUNT</b> | <b>EXPENDITURE</b> | <b>BALANCE</b>  |
|-----------------------------|-------------------------------------|-------------------|-------------------------------|--------------------|-----------------|
| R 12 537 400.00             | R0.00                               | R 15 532 000.00   | R 15 532 000.00               | R 15 532 000.00    | R 12 537 400.00 |

From the above it can be seen that the Municipality managed to exhaust its total annual allocation approved roll-over amount, but however failed to spend it's approved roll-over amount for the financial year.

### 3.1.1 Expenditure per Project

| Project Description                                                                                         | MIG Approved Project Value | Overall Expenditure on the Project | Expenditure on 2011/12 |
|-------------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------|------------------------|
| <b>Zastron:</b> Upgrading of sewerage treatment works                                                       | 14 170 851                 | 7 773 750                          | 2 282 975              |
| <b>Roleleathunya/Rouxville:</b> Access collectors, internal street and related stormwater (4.14 km) Phase 1 | 12 460 000                 | 12 833 964                         | 10 056 851             |
| <b>Smithfield:</b> Upgrading of oxidation ponds                                                             | 14 635 735                 | 9 055 582                          | 2 210 179              |
| <b>Rouxville/Roleleathunya:</b> Eradication of 777 buckets incl. 14.92 main outflow lines and pump station  | 11 378 000                 | 4 332 835                          |                        |
| <b>Smithfield:</b> Bucket Eradication for 750 sites                                                         | 7 695 000                  | 6 681 328                          | 142 209                |
| <b>Smithfield:</b> Upgrading of the Caledon water scheme to Smithfield(phase 2A)                            | 9 470 550                  | 9 759 289                          | 288 740                |
| <b>Project Management Unit</b>                                                                              | 776 550                    | 776 000                            | 776 000                |
| <b>TOTALS</b>                                                                                               | <b>70 586 686</b>          | <b>51 212 749</b>                  | <b>15 756 954</b>      |

### 3.2 SOCIAL AND ECONOMIC BENEFITS

The MIG programme is part of government's overall strategy to eradicate poverty and create conditions for local economic development. The implementation programme for the Municipality has therefore maximise opportunities for employment creation and enterprise development. Labour intensive methods are always employed where possible to ensure that EPWP compliant projects are maximised, local labour is employed and that skills transfer takes place. Below are the employment figures for the year per project:

| Project Name                                          | Women    | Man       | Youth (male) | Youth (Female) | Disabled (male) | Disabled (Female) |
|-------------------------------------------------------|----------|-----------|--------------|----------------|-----------------|-------------------|
| Upgrading of the Zastron waste treatment plant        | 0        | 1         | 11           | 0              | 0               | 0                 |
| Eradication of 1036 buckets in Rouxville              | 2        | 5         | 9            | 5              | 0               | 0                 |
| Roleleathunya: Access collectors and internal streets | 5        | 4         | 12           | 13             | 0               | 0                 |
| <b>TOTAL</b>                                          | <b>7</b> | <b>10</b> | <b>32</b>    | <b>18</b>      | <b>0</b>        | <b>0</b>          |

From the above table it can be seen that a total number of 67 job opportunities was created through implementation of this programme and representation on gender and disability status was as follows.

Women : 10.4%  
 Man : 14.9%  
 Youth (male) : 47.7%  
 Youth (Female) : 26.9 %  
 Disabled (male) : 0 %  
 Disabled (Female) : 0 %

From this analysis it can be concluded that few projects were implemented throughout the 2011/2012 financial year. It can also be deduced that the disabled were not employed, which is a concern. The majority of labour was composed of youth male and female respectively. The municipality has room for improvement on gender and age distribution. All these should be taken into consideration in the next financial year.

## 4. PROJECTS DETAILS

### 4.1 UPGRADING OF THE ZASTRON /MATLAKENG WASTEWATER TREATMENT WORKS

#### Project Brief

As previously mentioned, one of the objective of the Programme is to create job opportunities for the communities within which projects are implemented. This condition serves as a baseline for projects design and implementation plan

Mohokare Municipality is in the process of upgrading the living standards of the community of Matlakeng in Zastron by providing, among other services, improved sanitation infrastructure by upgrading the existing Oxidation ponds system to an Activated Sludge Waste Water Treatment Works with a capacity of 1,500m<sup>3</sup> /day as part of Department of Water Affairs and Forestry's Bucket Eradication Programme (BEP).

#### Proposed works

- The construction of a new primary pond;
- The construction of a reinforced concrete biological reactor and clarifier;
- Concrete relining of the existing ponds;
- Pipe work modification to improve performance of the existing biofilter and settling tank;
- The upgrading of mechanical and electrical equipment;
- The training of staff for the upgraded works.

#### Construction

|                          |                                         |
|--------------------------|-----------------------------------------|
| Name of Consultant       | : ISA and Partners Consulting Engineers |
| Contract price           | : R 8,258,793.84 (Incl. VAT)            |
| Indirect Costs           | : R 3,164,816.16                        |
| Name of Contractor       | : Colemo Projects                       |
| Commencement date        | : 26 Jan 2010                           |
| Contract completion date | : 30 Oct 2010                           |

Due to poor workmanship and failure to meet contractual obligations, Colemo projects' contract was cancelled and a new contractor was appointed to complete the remaining civil works.

|                    |                                         |
|--------------------|-----------------------------------------|
| Name of Consultant | : ISA and Partners Consulting Engineers |
| Name of Contractor | : Ngelethu Construction                 |

|                          |                              |
|--------------------------|------------------------------|
| Contract price           | : R 4,087,611.84 (Incl. VAT) |
| Commencement date        | : 07 June 2012               |
| Contract completion date | : 07 Dec 2012                |

#### **4.2 CONSTRUCTION OF ACCESS COLLECTORS, INTERNAL STREET AND RELATED STORMWATER IN ROLELEATHUNYA (PHASE 1)**

##### **Project Brief**

As means to improve road and stormwater infrastructure in Roleleathunya, Mohokare municipality has implemented a project aimed at construction a 4.12 km long access road in and around Roleleathunya. However the project was later reviewed to fit within the MIG unit cost and the Contractor Tender Price by reducing the scope of work to 2.67 km. The project went way beyond its completion date but an intervention by COGTA was made to reregister the project with the defined scope of work and to bring the project up to speed.

##### **Proposed Works**

- Construction of access collectors;
- Construction of internal streets;
- Construction of stormwater facilities.

##### **Construction**

|                          |                   |             |
|--------------------------|-------------------|-------------|
| Contract price           | : R 10,688,642.31 | (Incl. VAT) |
| Indirect Costs           | : R 1,771,357.69  |             |
| Name of Consultant       | : WN Consult      |             |
| Name of Contractor       | : Lesole-Khwara   |             |
| Commencement date        | : 01 Sep 2010     |             |
| Contract completion date | : 30 April 2011   |             |

#### **4.3 UPGRADING OF THE SMITHFIELD/ MOFULATSHEPE OXIDATION PONDS**

##### **Project Brief**

Mohokare Municipality is in the process of upgrading the living standards of the community of Mofulatshepe in Smithfield by providing, among other services, improved sanitation infrastructure by upgrading the existing Oxidation ponds system to an Activated Sludge Waste Water Treatment Works with a capacity of 1,000m<sup>3</sup> /day as part of Department of Water Affairs and Forestry's Bucket Eradication Programme (BEP).

##### **Proposed Works**

- The construction of a new reinforced concrete inlet works with the attendant degritting and overflow distribution boxes;
- The construction of a reinforced Pasveer Ditch Reactor with a Clarifier scraper unit with a separate Aerobic, Anoxic and Anaerobic reactors;
- The construction of reinforced concrete dry and wet wells for the WAS/Scum and RAS Collection System within the Pasveer Ditch Reactor/Clarifier Unit;
- The construction of a chlorine contact tank within the Pasveer Ditch Reactor/Clarifier Unit;
- The conversion of some of the existing oxidation ponds into sludge lagoons with a supernatant return pump installation;
- The construction of new Administration building;
- The provision of electricity supply to the site;
- The installation of Electrical and Mechanical equipment for the new works.

## Construction

### Contract No MLM 02/2009

|                          |                                         |
|--------------------------|-----------------------------------------|
| Name of Consultant       | : ISA and Partners Consulting Engineers |
| Contract price           | : R 782,608.00 (Incl. VAT)              |
| Name of Contractor       | : Big Bravo Construction                |
| Contract Price           | : R 9,427,204.58 (Incl. VAT)            |
| Project Award date       | : 19 Aug 2009                           |
| Commencement date        | : 28 Sep 2009                           |
| Contract completion date | : 30 Oct 2010                           |

Big Bravo Construction was appointed as the contractor to construct the civil works with a total cost exceeding the initial registration value of **R 6,840,000.00**. The municipality then applied for an additional funding of **R 7,795,735.00** and the total project cost then amounted to

**R 14,635,735.00**. The civil works of the project have since been completed. The municipality went out on tender for the remaining mechanical and electrical works but tender prices were too high. The municipality is yet to re-advertise the works.

## 4.4 ERADICATION OF 777 BUCKETS IN ROUXVILLE

### Project Brief

In an effort to uplift the health standard of living to the previously disadvantaged community, Mohokare Local Municipality initiated a sanitation project in line with the National government Bucket Eradication Program. Initially there was about 1036 sites identified, but during an intense verification process only 777 sites were found. A revised business plan was prepared and submitted to the Provincial PMU offices.

### **Proposed Works**

- The construction of a sewer reticulation network for 765 sites in Roleleathunya, Rouxville using PVC sewer pipeline and reinforced concrete manholes;
- The construction 777 brick toilets with the accompanying sewer and water erf connections for these sites;
- The construction of approximately 1,000 meters of new outfall sewer;
- The construction of 1 new sewer pump station including the installation of new electrical and mechanical equipment.

### **Construction**

Isa & Partners Consulting Services was appointed to commence with the design and the report was approved by 11<sup>th</sup> of September 2006.

Due to severe water shortage in Rouxville the project was put on hold. To counter react to price increases all material for implementation of the project was purchased amounting to R2 million and was safely stored in the Municipal stores.

The municipality appointed 7 SMME's to install toilet furniture and this has been completed. The installation of sewer network and connection thereof is awaiting the start of the Rouxville Regional Bulk Water Scheme.

## **4.5 UPGRADING OF THE CALEDON WATER SCHEME**

### **Project Brief**

For a number of years, the town of Smithfield and surrounding farms have been having a water shortage problem. This was due to less rainfall and seasonal droughts as both Main Water Sources i.e. Caledon River and Smithfield Dam depend on rain water for supply. A bulk water supply scheme was developed in 2000, and the first phase of construction of the scheme was completed in 2001.

### **Proposed Works**

- Upgrading or replacement of low lift pumps
- Upgrading or replacement of high lift pumps
- Installation of a second 200 mm diameter raw water supply line from the Caledon river
- Increasing the capacity of the water treatment works to 134 kl/h
- Construction of 1.5 Ml reservoir
- Rising main pipeline from treatment plant to reservoir
- Pipeline between reservoir 1 and 2
- Installation of a bulk pipeline to Smithfield and Rietpoort
- Installation of a bulk pipeline to Mofulatshepe

The project was initially phased into two phases; however the first phase was down scaled due to lack of funds. The following were done:

- a) The construction of a 1.5 Ml reservoir
- b) The installation of a water rising main
- c) Pipeline between reservoir 1 and 2

### **Construction**

Phethogo Consulting Services were appointed to commence with the design which was approved by November 2006.

|                          |                          |
|--------------------------|--------------------------|
| Name of Consultant       | : Phethogo Consulting    |
| Contract price           | : R 580,000.00           |
| Name of Contractor       | : Rekaofela Construction |
| Contract Price           | : R 3,368 203.65         |
| Project Award date       | : 16 Feb 2007            |
| Commencement date        | : 16 Feb 2007            |
| Contract completion date | : 16 June 2007           |

Due to lack of progress on site Rekaofela ceded its remaining work to Jen's Development, but they however remained accountable for the entire work

|                         |                     |
|-------------------------|---------------------|
| Name of contractor      | : Jen's Development |
| Acceptance of work      | : 11 July 2007      |
| Revised completion date | : October 2007      |

### **Phase 2**

|                          |                    |
|--------------------------|--------------------|
| Name of contractor       | : Set Maks Civils  |
| Contract Price           | : R 4 446 000.00   |
| Project Awarded date     | : 02 February 2010 |
| Contract Completion date | : 02 August 2010   |
| Actual Completed date    | : January 2011     |

Phase 2 of the project has been completed but the municipality was requested to submit a technical report to allow for additional funding for implementation of the mechanical and electrical works (phase 3).

## **5. EVALUATION AS PER THE PRACTICE NOTE**

### **PART 1: Progress to date:**

- Projects were not implemented according to the approved business plan, resulting in the review of some of the projects.
- Scheduling and phasing was correctly executed.
- Approval of payment certificates for Service Provider was directly handled by PMU unit, this assisted the Municipality to avoid the previously uncounted over-expenditures
- There has been great development in the co-ordination with other stakeholders this was achieved through the PPMU stakeholder meeting.
- Most projects could not be completed due to project stoppages and delay In implementation resulting in escalation of costs .

## **MANAGEMENT**

- Institutional arrangements were made utilizing existing staff within the Directorate: Technical Service department.
- Existing staff were utilized part time to work on the projects in addition to their other tasks.
- Support by other units: Finance Department.
- Capacity building of staff: More capacity building is needed for PMU staff.
- Key challenges: Lack of accountability from Project Managers (Consultants), Inclement Weather, labour issues and materials supply.
- The Mechanical and Electrical Works in Oxidation Ponds project in Smithfield could not be completed as tender prices were too high.
- The Zastron WWTW project stopped as the contractor was not competent and this led to loss of time until a new contractor was appointed.
- Phase 3 of the Caledon Water Scheme Project could not be started during the 2011/2012 financial year as the municipality had no funds. A revised technical report was requested from the municipality to allow for additional funding.
- Other challenges: completion of stages of the projects was dependent on other role players these delayed projects completion i.e. Approval of revised technical report by department of human settlement.

## **PART 2: Monitoring:**

- Monitoring approach:  
Construction work was monitored by the consultant, which has to report to the Technical/PMU Manager. The Technical/PMU Manager reported to Council through the Municipal Manager. Financial reports were submitted on monthly basis to the Provincial Government, whereas progress report was done bi-monthly.
- Data analysis and reporting for implementation  
Results of planning and investigations have been incorporated into designs for implementation.

Results of tenders received were analyzed/ evaluated by consultants for implementation.

- Data analyzed and reported for performance  
Regular tests on material used and achievements of construction results were done (i.e. concrete test cubes, soil lab tests etc.)

### **Person responsible for data analysis and report generation**

- Consulting engineer → Technical/PMU manager → Municipal Manager → Council

### **Challenges with monitoring and reporting**

Financial challenge: full time Manager required for Management of this unit, this will be budgeted within the next financial year PMU business plan.

### **PART3: What are the results and who benefited?**

- All project benefitted local labour and some skills were also transferred in the process.
- EPWP Compliant methods were employed for the Rouxville Access road project as the project is of a labour intensive nature.
- Projects that are currently under construction have created job opportunities for community members within the areas of implementation.

### **6. CONCLUSIONS:**

- A continuous training of PMU unit staff is crucial for proper monitoring and management of projects.
- The Municipality should continue to use stringent measures in the appointment of Professional Service Providers and Contractors.

### **7. LESSONS LEARNED**

- Failure to take ownership of projects by Municipality may result with devastating outcomes (incomplete projects, over expenditures and poor service delivery).
- Reports submitted by the Municipality are to be a true reflection of what has been implemented.
- Cash flow, work schedules, action plans and all other projections are to be realistic.
- All advice and decision taken during the execution of the project are to be done in writing for record keeping purposes.

### **7. RECOMMENDATIONS**

Due to inconsistencies that happen as from 2011/12 financial year in the implementation of the projects the following are proposed:

1. That the Municipality due to its contractual commitments must apply for roll-over of funds for implementation on the 2012/13 financial year.
2. Sector Departments need to assist the Municipality in the drafting and implementation of its Financial Recovery Plan.

## 5.6. Organisational Development Performance: (Performance Report Part II)

### 5.5.1 Introduction to the Municipal Personnel

The Municipality manages the workforce guided by legislation and relevant policies and procedures promulgated through the South African constitution, matters of workplace policies that protect the workforce, policies that protect the interest of the employer, policies that manage the employer / employee relations and interaction, the respect of unions in the workplace and processes of bargaining at relevant structures are all taken into consideration by the Municipality

#### a. Employee totals, Turnover and Vacancies

| EMPLOYEES                                                   |                     |                                   |                     |            |              |
|-------------------------------------------------------------|---------------------|-----------------------------------|---------------------|------------|--------------|
| Description                                                 | 2010/11             | Ending 30 <sup>th</sup> June 2012 |                     |            |              |
|                                                             | Number of Employees | Number of Posts                   | Number of Employees | Vacancies  | % Variance   |
| Water                                                       | 46                  | 72                                | 45                  | 27         | 37.5         |
| Sanitation                                                  | 30                  | 69                                | 40                  | 29         | 42.03        |
| Electricity                                                 | 03                  | 04                                | 03                  | 01         | 25           |
| Roads & Storm-water                                         | 13                  | 27                                | 15                  | 12         | 44.44        |
| Technical Services (exc the above)                          | N/A                 | 15                                | 07                  | 08         | 53.33        |
| Refuse Collection                                           | 36                  | 61                                | 38                  | 23         | 37.7         |
| Human Settlement                                            | 04                  | 04                                | 03                  | 01         | 25           |
| Traffic Safety & Management                                 | 04                  | 07                                | 04                  | 03         | 42.86        |
| Community Services (exc Refuse, Human Settlement & Traffic) | N/A                 | 47                                | 29                  | 18         | 38.3         |
| Planning                                                    | 01                  | 05                                | 04                  | 01         | 50           |
| Local Economic Development                                  | 02                  | 03                                | 02                  | 01         | 33.33        |
| Office of the MM (exc Planning & LED)                       | N/A                 | 18                                | 03                  | 15         | 83.33        |
| Finance                                                     | N/A                 | 40                                | 21                  | 19         | 47.5         |
| Corporate Services                                          | 12                  | 44                                | 33                  | 11         | 25           |
| <b>TOTALS</b>                                               | <b>151</b>          | <b>416</b>                        | <b>247</b>          | <b>169</b> | <b>40.63</b> |

#### b. Policies (reviewed or adopted during the year).

##### 1. Travelling and Subsistence Policy

2. Communication Strategy and Communication Policy
3. Draft Placement Policy
4. Submission of Employment Equity Plan
5. Draft Staff Retention Policy
6. Risk Management Strategy, Policy Framework
7. Building Procedure Manual/ Policy
8. Review of Paupers Burial Policy

The HR Manual is inclusive of personnel related policies and procedures

c. Suspensions

| Number and Period of Suspension |                                      |                    |                                                      |                   |
|---------------------------------|--------------------------------------|--------------------|------------------------------------------------------|-------------------|
| Position                        | Nature of Alleged misconduct         | Date of Suspension | Details of Disciplinary action taken/ Status of case | Date Finalized    |
| Human Settlement Clerk          | Disclosure of privileged information | 05 August 2011     | Final written warning                                | 19 September 2011 |
| General Worker                  | Absconding                           | 20 April 2012      | 10 days suspension without pay                       | 20 April 2012     |

d. Dismissals

| Dismissal Cases |                                |                                        |                                                      |                  |
|-----------------|--------------------------------|----------------------------------------|------------------------------------------------------|------------------|
| Position        | Nature of Alleged misconduct   | Date the alleged offence was committed | Details of Disciplinary action taken/ Status of case | Date Finalized   |
| HR Officer      | Giving out interview questions | 12 May 2011                            | Dismissal                                            | 18 November 2011 |
| General Worker  | Absenteeism                    | 06-13 & 19-31 December 2011            | Dismissal                                            | 05 April 2012    |
| General Worker  | Absconding                     | 01-31 December 2011                    | Dismissal                                            | 05 April 2012    |
| General Worker  | Absenteeism & Fraud            | 13-20 December 2011 & 06 January 2012  | Dismissal                                            | 20 April 2012    |

e. Pending Cases

| Position       | Nature of Alleged misconduct                  | Date the alleged offence was committed | Reason(s) why the matter is pending/ Status of case                |
|----------------|-----------------------------------------------|----------------------------------------|--------------------------------------------------------------------|
| Supervisor     | Damage to municipal property                  | 05 May 2012                            | Awaiting judgement from Presiding Officer.                         |
| Tractor Driver | Unauthorized possession of municipal property | 25 May 2012                            | Hearing held on 30 June 2012 and postponed to an unspecified date. |

f. Performance Rewards

As earlier mentioned, the Municipality does not have a performance management system, this would also enable the identification of good performance versus poor performance, therefore good performance is currently not recognized, and only long-term service bonus is applicable to all employees of the Municipality

g. Skills Development and Training

| SKILLS MATRIX                           |                                      |                                                                    |                   |        |                                         |                   |        |                         |                   |        |                   |                   |        |
|-----------------------------------------|--------------------------------------|--------------------------------------------------------------------|-------------------|--------|-----------------------------------------|-------------------|--------|-------------------------|-------------------|--------|-------------------|-------------------|--------|
| Management level                        | Employees in post as at 30 June 2011 | Number of skilled employees required and actual as at 30 June 2012 |                   |        |                                         |                   |        |                         |                   |        |                   |                   |        |
|                                         |                                      | Leaner ship                                                        |                   |        | Skills programmes & other short courses |                   |        | Other forms of training |                   |        | Total             |                   |        |
|                                         | No.                                  | Actual 30 June 11                                                  | Actual 30 June 12 | Target | Actual 30 June 11                       | Actual 30 June 12 | Target | Actual 30 June 11       | Actual 30 June 12 | Target | Actual 30 June 11 | Actual 30 June 12 | Target |
| MM& sec 57                              |                                      | 1                                                                  |                   | 3      | 1                                       |                   | 2      |                         |                   |        | 2                 |                   | 5      |
| Councilors, Senior officials & managers |                                      | 2                                                                  |                   | 3      |                                         | 2                 | 4      |                         |                   |        | 8                 | 2                 | 5      |
| Technicians & associate professionals   |                                      |                                                                    |                   |        |                                         |                   |        |                         |                   |        |                   |                   |        |
| Professionals                           |                                      |                                                                    |                   |        |                                         |                   |        |                         |                   |        |                   |                   |        |
| Sub total                               |                                      | 3                                                                  |                   | 6      | 1                                       | 2                 | 6      |                         |                   |        | 10                | 2                 | 10     |
| Total                                   |                                      | 3                                                                  |                   | 6      | 1                                       | 2                 | 6      |                         |                   |        | 10                | 2                 | 10     |

FOR THE FINANCIAL YEAR ENDING 30 JUNE 2012

| No | Course Name                  | Skills Area               | Type of Intervention | Start Date | End Date | Target Category           | Total trained |
|----|------------------------------|---------------------------|----------------------|------------|----------|---------------------------|---------------|
| 1  | Water Processing Controller  | Life Skills               | Learnership          | 05/03/11   | April 12 | Labourers                 | 11            |
| 2  | CPMD                         | Administration            | Certificate          | 29/08/11   | 24/04/12 | Clerical & Administration | 07            |
| 3  | ODETDP                       | Administration            | Learnership          | 07/04/11   | 01/09/12 | Clerical & Administration | 02            |
| 4  | LED                          | Community, LED, Planning, | Learnership          | 15/08/11   | 15/04/12 | Clerical & Administration | 01            |
| 5  | MFMP                         | Financial                 | Learnership          | 22/08/11   | 27/04/12 | Clerical & Administration | 03            |
| 6  | Record Management            | Corporate, Legal          | Skills Programme     | 20/09/11   | 23/09/11 | Clerical & Administration | 01            |
| 7  | Basic Computer Training      | Administration            | Skills Programme     | 13/12/11   | 02/03/12 | Clerical & Administration | 12            |
| 8  | LGAC                         | Financial                 | Learnership          | 14/11/11   | 08/08/12 | Clerical & Administration | 04            |
| 9  | LGAC                         | Financial                 | Learnership          | 03/11/11   | Oct 13   | Clerical & Administration | 01            |
| 10 | Basic Computer Training      | Management                | Skills Programme     | 03/12/11   | Mar 12   | Councillors               | 07            |
| 11 | Managing Discipline (LRA)    | Administration            | Skills Programme     | 07/03/12   | 07/03/12 | Clerical & Administration | 23            |
| 12 | MFMP                         | Management                | Learnership          | 29/05/12   | Feb 13   | Clerical & Administration | 03            |
| 13 | MFMP                         | Financial                 | Learnership          | 22/08/11   | Apr 12   | Clerical & Administration | 03            |
| 14 | Occupational Health & Safety | OHS                       | Skills Programme     | 16/04/12   | 17/04/12 | Labourers                 | 20            |
| 15 | CPMD                         | Management                | Learnership          | 21/05/12   | 31/08/12 | Directors                 | 04            |
| 16 | MFMP                         | Financial                 | Learnership          | 07/05/12   | Apr 13+  | Clerical & Administration | 03            |
| 17 | Record Management            | Administration            | Skills Programme     | N/A        | N/A      | N/A                       | N/A           |

Skills development for the year 2011/12 was budgeted at R62 927.70 however the budget was adjusted down to R58 778.80. The actual expenditure for the year was R687 300.00.

This represents a 1 096% over expenditure.

The Municipality must begin to prioritise skills development and define it as a base for good performance.

| EMPLOYEE EXPENDITURE  |               |               |
|-----------------------|---------------|---------------|
|                       | 2010/11       | 2011/12       |
| Personnel Expenditure | 30 691 492.00 | 38 730 502.15 |

This represents a 26% increase in the salary bill, but this can be attributed to the appointment of Sec57 Managers.

## 5.7 FINANCIAL SERVICES

C F O Mr JV Nkosi

### 5.7 Introduction to Financial Services

#### 5.7.1 Information Technology & Assets

| EMPLOYEES: IT & ASSETS |                 |                                   |              |           |            |
|------------------------|-----------------|-----------------------------------|--------------|-----------|------------|
| Job Level              | 2010/11         | Ending 30 <sup>th</sup> June 2012 |              |           |            |
|                        | Number of Posts | Number of Posts                   | Posts filled | Vacancies | % Variance |
| 0-3                    |                 |                                   |              |           |            |
| 4-6                    | 01              | 02                                | 0            | 02        | 100        |
| 7-9                    |                 |                                   |              |           |            |
| 10-12                  | 01              | 03                                | 01           | 02        | 66.67      |
| 13-15                  |                 |                                   |              |           |            |
| 16-18                  |                 |                                   |              |           |            |
| 19-20                  |                 |                                   |              |           |            |
| <b>TOTAL</b>           | <b>02</b>       | <b>05</b>                         | <b>01</b>    | <b>04</b> | <b>80</b>  |

| INFORMATION & TECHNOLOGY: FINANCIAL PERFORMANCE ENDING 30 <sup>th</sup> JUNE 2012 |          |                 |                 |          |                    |
|-----------------------------------------------------------------------------------|----------|-----------------|-----------------|----------|--------------------|
| Details                                                                           | Actual   | Original Budget | Adjusted Budget | Actual   | Variance to Budget |
| Total operating revenue                                                           | 0        | 2 981 496       | 840 486         | 0        | 840 486            |
| Expenditure:                                                                      |          |                 |                 |          |                    |
| Employees                                                                         | 370 509  | 211 683         | 549 564         | 502 827  | 46 738             |
| Repairs and maintenance                                                           | 12 907   | 36 737          | 42 802          | 21 255   | 21 547             |
| Other                                                                             | 227 356  | 167 706         | 248 120         | 258 045  | -9 925             |
| Total operating expenditure                                                       | 610 772  | 416 126         | 840 486         | 782 127  | 58 360             |
| <b>Net operating revenue/<br/>expenditure</b>                                     | -610 772 | 2 565 369       | 0               | -782 127 | 782 127            |

### 5.7.3 Summary Employees: Financial Services

| SUMMARY EMPLOYEES: FINANCIAL SERVICES |                        |                                   |              |           |             |
|---------------------------------------|------------------------|-----------------------------------|--------------|-----------|-------------|
| Job Level                             | 2010/11                | Ending 30 <sup>th</sup> June 2012 |              |           |             |
|                                       | Number of Posts Filled | Number of Posts                   | Posts filled | Vacancies | % Variance  |
| Office of the CFO (inc interns)       |                        | 08                                | 07           | 01        | 12.5        |
| Revenue                               |                        | 16                                | 10           | 06        | 37.5        |
| Budget & Reporting                    |                        | 02                                | 01           | 01        | 50          |
| Expenditure                           |                        | 06                                | 01           | 05        | 83.33       |
| IT & Asset                            |                        | 05                                | 01           | 04        | 80          |
| SCM                                   |                        | 03                                | 01           | 02        | 66.67       |
| <b>TOTAL</b>                          | <b>N/A</b>             | <b>40</b>                         | <b>21</b>    | <b>19</b> | <b>47.5</b> |

| FINANCE (Exc IT): FINANCIAL PERFORMANCE ENDING 30 <sup>th</sup> JUNE 2012 |                   |                   |                   |                   |                    |
|---------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Details                                                                   | Actual            | Original Budget   | Adjusted Budget   | Actual            | Variance to Budget |
| Total operating revenue                                                   | 48 616 942        | 15 178 148        | 13 349 503        | 53 160 550        | -39 811 048        |
| Expenditure:                                                              |                   |                   |                   |                   |                    |
| Employees                                                                 | 3 377 939         | 6 810 038         | 4 911 988         | 4 716 068         | 195 920            |
| Debt Impairment                                                           | 0                 | 371 154           | 371 154           | 0                 | 371 154            |
| Depreciation                                                              | 0                 | 0                 | 0                 | 0                 | 0                  |
| Repairs and maintenance                                                   | 18 996            | 39 809            | 16 709            | 1 664 105         | -1 647 396         |
| Interest Expense                                                          | -300              | 0                 | 0                 | 0                 | 0                  |
| Other                                                                     | 13 087 503        | 10 262 636        | 11 658 892        | 8 000 604         | 3 658 288          |
| Total operating expenditure                                               | 16 484 137        | 17 483 636        | 16 958 742        | 14 380 777        | 2 577 965          |
| <b>Net operating revenue/<br/>expenditure</b>                             | <b>32 132 805</b> | <b>-2 305 488</b> | <b>-3 609 240</b> | <b>38 779 773</b> | <b>-42 389 013</b> |

#### 5.7.4 Debtors Age Analysis

| Debtor Age Analysis for 2011/12 After Impairment |                 |                 |            |            |                  |          |          |          |           |          |           |
|--------------------------------------------------|-----------------|-----------------|------------|------------|------------------|----------|----------|----------|-----------|----------|-----------|
| Description                                      | NETT Total Debt | Credit balances | DT Balance | Impairment | Bal After Impair | <30 days | <60 days | <90 days | <120 days | <150 day | <180 days |
| Rates                                            | 6 374 591       | -222 876        | 6 597 467  | 3 958 264  | 2 639 204        | 1 878    | 25 932   | 26 033   | 159 922   | 155 681  | 2 269 757 |
| Electricity                                      | 166 586         | -1 330          | 167 916    | 167 916    | 0                | 0        | 0        | 0        | 0         | 0        | 0         |
| Water                                            | 23 440 529      | -168 789        | 23 609 318 | 23 396 968 | 212 350          | 151 780  | 47 623   | 12 862   | 0         | 0        | 0         |
| Sewerage                                         | 13 830 561      | -72 380         | 13 902 941 | 13 744 518 | 158 423          | 75 740   | 63 298   | 19 385   | 0         | 0        | 0         |
| Refuse                                           | 10 673 187      | -21 026         | 10 694 214 | 10 628 594 | 65 619           | 31 569   | 25 322   | 8 727    | 0         | 0        | 0         |
| Housing                                          | 683 349         | -13 755         | 697 103    | 680 371    | 16 733           | 7 257    | 6 704    | 2 771    | 0         | 0        | 0         |
| Other                                            | 17 819 698      | -33 377         | 17 853 075 | 17 853 665 | 4 352            | 2 514    | 1 560    | 279      | 159 923   | 155 681  | 0         |
| Total                                            | 72 988 501      | -533 532        | 73 522 034 | 70 430 296 | 3 096 680        | 270 739  | 170 439  | 70 057   | 159 923   | 155 681  | 2 269 757 |

### 5.7.5. Statements of financial performance

| Financial Summary                                           |           |                 |             |                 |
|-------------------------------------------------------------|-----------|-----------------|-------------|-----------------|
| Description                                                 | JUNE 2011 |                 | JUNE 2012   |                 |
|                                                             | Actual    | Adjusted Budget | Actual      | Adjusted Budget |
| Financial Performance                                       |           |                 |             |                 |
| Property rates                                              | 6 063     | 4 615           | 7 231       | 6 846           |
| Service charges                                             | 28 275    | 23 387          | 35 847      | 7 067           |
| Investment revenue                                          | 32        | 68              | 141         | 15              |
| Transfers recognized-operational                            | 68 190    | 56 240          | 72 711 000  | 47 922 000      |
| Other own revenue                                           | 3 820     | 2 522           | -72 633 962 | -47 847 725     |
| Total Revenue (exclude capital transfers and contributions) | 106 380   | 86 832          | 120 257     | 88 203          |

| Financial Summary                                            |           |                 |           |                 |
|--------------------------------------------------------------|-----------|-----------------|-----------|-----------------|
| Description                                                  | JUNE 2011 |                 | JUNE 2012 |                 |
|                                                              | Actual    | Adjusted Budget | Actual    | Adjusted Budget |
| Employee costs                                               | 30 691    | 33 847          | 35 363    | 36 972          |
| Remuneration of Councillors                                  | 2 209     | 2 322           | 2 600     | 2 601           |
| Depreciation & asset impairment                              | 21 078    | 0               | 21 215    | 0               |
| Finance charges                                              | 2 437     | 4 797           | 2 080     | 78              |
| Materials and bulk purchases                                 | 16 136    | 4 033           | 14 183    | 1 426           |
| Transfers and grants                                         | 4 156     | 0               | 5 169     | 5 122           |
| Other expenditure                                            | 43 493    | 36 967          | 56 688    | 21 564          |
| Total expenditure                                            | 120 200   | 81 966          | 137 298   | 67 763          |
| Surplus/ (Deficit)                                           | -13 820   | 4 866           | -17 041   | 20 440          |
| Transfers recognized- capital                                | 15 308    | 13 839          | 24 660    | 15 308          |
| Contributions recognized-capital and contributed assets      | 512       | 0               | 627       | 0               |
| Surplus/ (Deficit) after capital transfers and contributions | -29 128   | -8 973          | -42 328   | 5 132           |
| Share of surplus/ (deficit)n of associate                    | 0         | 0               | 0         | 0               |
| Surplus/ (Deficit) for the year                              | -29 128   | -8 973          | -42 328   | 5 132           |

| Financial Summary R'000                  |            |                 |           |                 |
|------------------------------------------|------------|-----------------|-----------|-----------------|
| Description                              | JUNE 2011  |                 | JUNE 2012 |                 |
|                                          | Actual     | Adjusted Budget | Actual    | Adjusted Budget |
| Capital expenditure and sources of funds |            |                 |           |                 |
| Capital expenditure                      | 15 307 554 | -               | 25 287    | 24 117          |
| Transfers recognized- capital            | 15 308     | 13 839          | 24 660    | 15 308          |
| Public contributions and donations       | 0          | 0               | 0         | 0               |
| Borrowing                                | 27 003     | 6 335           | 627       | 0               |
| Internally generated funds               | 3 500      | 681             | 0         | 0               |
| Total sources of funds                   | 56 986     | 0               | 25 287    | 15 308          |

| Financial Summary R'000       |           |                 |           |                 |
|-------------------------------|-----------|-----------------|-----------|-----------------|
| Description                   | JUNE 2011 |                 | JUNE 2012 |                 |
|                               | Actual    | Adjusted Budget | Actual    | Adjusted Budget |
| Financial position            |           |                 |           |                 |
| Total current assets          | 31 594    |                 | 19 520    |                 |
| Total non-currents            | 331 187   |                 | 329 648   |                 |
| Total current liabilities     | 34 388    |                 | 32 726    |                 |
| Total non-current liabilities | 25 175    |                 | 30 264    |                 |
| Community wealth/ Equity      | 6         |                 | 6         |                 |

| Financial Summary R'000              |           |                 |           |                 |
|--------------------------------------|-----------|-----------------|-----------|-----------------|
| Description                          | JUNE 2011 |                 | JUNE 2012 |                 |
|                                      | Actual    | Adjusted Budget | Actual    | Adjusted Budget |
| Cash flows                           |           |                 |           |                 |
| Net cash from (used) operating       | 24 162    |                 | 14 688    |                 |
| Net cash from (used) investing       | -29 336   |                 | -20 099   |                 |
| Net cash from (used) financing       | 4 594     |                 | 3 337     |                 |
| Cash/ cash equivalent at year end    | -1 553    |                 | -3 627    |                 |
| Cash backing/ surplus reconciliation |           |                 |           |                 |
| Cash and investments available       | 114 441   |                 | 125 423   |                 |
| Application of cash and investments  | -121 232  |                 | -132 388  |                 |
| Surplus/ (Deficit)                   | -6 791    |                 | -6 964    |                 |

| Financial Summary R'000           |           |                 |           |                 |
|-----------------------------------|-----------|-----------------|-----------|-----------------|
|                                   | JUNE 2011 |                 | JUNE 2012 |                 |
| Description                       | Actual    | Adjusted Budget | Actual    | Adjusted Budget |
| Asset management                  |           |                 |           |                 |
| Summary of asset register (WDV)   | 24 850    |                 | 308 406   |                 |
| Depreciation and asset impairment | 943       |                 | 334 992   |                 |
| Renewal of existing assets        | 0         |                 | 0         |                 |
| Repairs and maintenance           | 1 024     |                 | 1 723     |                 |

|                                         | JUNE 2011 |                 | JUNE 2012 |                 |
|-----------------------------------------|-----------|-----------------|-----------|-----------------|
| Description                             | Actual    | Adjusted Budget | Actual    | Adjusted Budget |
| Free basic services                     |           |                 |           |                 |
| Cost of free basic services provided    | 4 156     |                 | 1 091     |                 |
| Revenue of free basic services provided | 0         |                 | 0         |                 |
|                                         |           |                 |           |                 |
| Households below minimum service level  |           |                 |           |                 |
| Water                                   | 0         |                 | 0         |                 |
| Sanitation/ sewerage                    | 0         |                 | 0         |                 |
| Energy                                  | 0         |                 | 0         |                 |
| Refuse                                  | 0         |                 | 0         |                 |

#### 5.7.6. Grants

| GRANTS                                        |               |                 |               |                 |
|-----------------------------------------------|---------------|-----------------|---------------|-----------------|
|                                               | JUNE 2011     |                 | JUNE 2012     |                 |
| Description                                   | Actual        | Adjusted Budget | Actual        | Adjusted Budget |
| Operating Transfers and Grants                |               |                 |               |                 |
| National                                      |               |                 |               |                 |
| Equitable Share                               | 40 862        | 40 862          | 45 632        | 45 632          |
| Financial Management                          | 1 250         | 1 250           | 1 500         | 1 500           |
| MSIG                                          | 750           | 750             | 790           | 790             |
| MIG                                           | 12 913        | 12 913          | 15 532        | 15 532          |
| Other Transfers                               |               |                 |               |                 |
| Provincial Treasury                           |               |                 |               | 0               |
| COGTA                                         | 10 020        |                 | 2 775         | -               |
| District                                      | 0             | -               | 0             | 0               |
| DWA                                           | 2 194         | 2 194           | 8 094         | 10 894          |
| INEPG                                         | 0             | -               | 627           | 627             |
| EPWP                                          | 0             | -               | 0             | 536             |
| Other Grants                                  | -             | -               | -             | -               |
| <b>Total Operating Transfers &amp; Grants</b> | <b>67 989</b> | <b>57 969</b>   | <b>74 950</b> | <b>75 511</b>   |

### 5.7.7 Financial Ratios based on key performance indicators

Debt Coverage Ratio

|                                                         | June 2011 | June 2012 |
|---------------------------------------------------------|-----------|-----------|
| Rand value of debtors outstanding for less than 30 days | 2 040     | 2 402     |
| Rand value of debtors outstanding for more than 30 days | 59 465    | 2 040     |
| % Debtors older than 60 days                            | 0         | 0         |
| Amount outstanding more than 60 days                    | 63 908    | 59 465    |

Cost Coverage Ratio

|                                     | June 2011   | June 2012   |
|-------------------------------------|-------------|-------------|
| All available cash                  | 513         | 289         |
| Investments                         | 0           | 0           |
| Monthly fixed operating expenditure | 67 763      | 137 298     |
| Ratio                               | <b>0.01</b> | <b>0.00</b> |

Liquidity Ratio

|                     | June 2011   | June 2012   |
|---------------------|-------------|-------------|
| Current Assets      | 29 826 856  | 19 520      |
| Current Liabilities | 29 233 720  | 32 726      |
|                     | <b>1.02</b> | <b>0.60</b> |

Solvency ratio

|                       | June 2011 | June 2012 |
|-----------------------|-----------|-----------|
| Non- current assets   | 331 187   | 329 648   |
| Long-term liabilities | 25 175    | 30 264    |
|                       | <b>13</b> | <b>11</b> |

### 5.7.8 Spending Against Capital Budget

Capital expenditure & Source of finance

| Source              | Expenditure account |            |
|---------------------|---------------------|------------|
|                     | June 2011           | June 2012  |
| MIG                 | 12 222 328          | 15 532 000 |
| Borrowing (Finance) | 6 335 454           | 8 094 000  |
| Own Funds           | 681 694             | 406 843    |
| INEPG               | 0                   | 627 000    |

2011/2012

***ANNUAL FINANCIAL STATEMENTS***

***for the year ended***

***30 June 2012***

**MOHOKARE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

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**MOHOKARE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

**GENERAL INFORMATION**

**EXECUTIVE MAYOR**

M.A. Shasha

**SPEAKER**

M.A. Shasha

**MEMBERS OF THE MAYORAL COMMITTEE**

|                         |               |               |
|-------------------------|---------------|---------------|
| Executive Mayor/Speaker | M.A. Shasha   |               |
| Chief Whip              | R.J. Thuhlo   |               |
| Councillors:            | O.T. Khasake  | L. Lekhula    |
|                         | S. Pokane     | E.T. Backward |
|                         | M.J. Sehanka  | B.S. Majenge  |
|                         | M.A. Letele   | I.S. Riddle   |
|                         | I. Mehlomakhu |               |

**GRADING OF THE LOCAL AUTHORITY**

Grade 2

**AUDITORS**

|            |                 |            |               |
|------------|-----------------|------------|---------------|
| External – | Auditor General | Internal – | Internal Unit |
|------------|-----------------|------------|---------------|

**PRIMARY BANKER**

ABSA Bank

**REGISTERED OFFICE**

Civic Center  
Hoofd Street  
Zastron  
9950

PO Box 20  
Zastron  
9950

Telephone: (051) 673-9600

Facsimile: (051) 673-1550  
E-Mail: [info@mohokare.gov.za](mailto:info@mohokare.gov.za)  
Website: <http://www.mohokare.gov.za>

**MUNICIPAL MANAGER**

T.C. Panyani

**CHIEF FINANCIAL OFFICER**

J.V. Nkosi

**MOHOKARE LOCAL  
MUNICIPALITY  
ANNUAL FINANCIAL  
STATEMENTS  
for the year ended 30 June  
2012**

**GENERAL INFORMATION (continued)**

**APPROVAL            OF            FINANCIAL  
STATEMENTS**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 7 to 93, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2012.

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**TC PANYANI**  
**MUNICIPAL MANAGER**  
31 August 2012

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**JV NKOSI**  
**CHIEF FINANCIAL OFFICER**  
31 August 2012

**MOHOKARE LOCAK MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

**MEMBERS OF THE COUNCIL**

COUNCILLORS

|              |     |
|--------------|-----|
| O T Khasake  | ANC |
| L Lekhula    | ANC |
| S Pokane     | DA  |
| E T Backward | ANC |
| R J Thuhlo   | ANC |
| M J Sehanka  | ANC |
| B S Majenge  | ANC |
| M A Letele   | ANC |
| I S Riddle   | DA  |
| I Mehlomakhu | ANC |
| A M Shasha   | ANC |

**MOHOKARE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

**MEMBERS OF THE COUNCIL (continued)**

**CERTIFICATION OF REMUNERATION OF COUNCILLORS**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**TC PANYANI**  
**MUNICIPAL MANAGER**  
31 August 2012

**MOHOKARE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

**FOREWORD**

During the 2011/12 financial year the municipality was under severe pressure to ensure compliance to various changes in legislation and continue with implementation of Generally Recognised Accounting Practice (GRAP) standards. The municipality was however able to meet the challenges set by a changing legislative and accounting environment.

The district municipality, as part of improving service delivery to the community, implemented proper communication channels through the local municipalities that have the Ward Committee and Community Development Workers systems at their disposal.

Although capital projects were limited to those financed from external grant funding the municipality has successfully implemented the projects identified in the Integrated Development Plan / Budget for 2009/10 financial year. The municipality will continue in the 2012/13 financial year to implement uncompleted projects for the previous financial year and those projects identified in the IDP / Budget for the current year.

Service delivery and the eradication of infrastructure backlogs remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of our people.

I hereby wish to thank the members of the Mayoral Committee and Council together with staff for their commitment during the year, ensuring that we meet the set targets for the year.

I thank you.

***AM SHASHA EXECUTIVE MAYOR***

31 August 2012

# Mohokare Local Municipality

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

|                                            | Note | 2012<br>R          | 2011<br>R          |
|--------------------------------------------|------|--------------------|--------------------|
| <b>ASSETS</b>                              |      |                    |                    |
| <b>Current Assets</b>                      |      | <b>19 519 651</b>  | <b>31 594 086</b>  |
| Inventories – Consumables                  | 2    | 626 830            | 511 904            |
| Inventories - Erven held for transfer      | 3    | 4 215 670          | 4 215 670          |
| Receivables from Exchange Transactions     | 4    | 862 467            | 5 886 949          |
| Receivables from Non-exchange Transactions | 5    | 360                | 4 126 581          |
| Sundry debtors                             |      | 1 158 062          | 1 156 845          |
| VAT Receivable                             | 6    | 12 367 668         | 15 183 263         |
| Cash and Cash Equivalents                  | 7    | 288 595            | 512 874            |
| <b>Non-Current Assets</b>                  |      | <b>329 648 004</b> | <b>331 187 073</b> |
| Property, Plant and Equipment              | 8    | 308 051 336        | 309 452 919        |
| Intangible Assets                          | 9    | 534 123            | 534 123            |
| Investment Property                        | 10   | 20 519 205         | 20 519 205         |
| Biological Assets                          | 11   | 430 680            | 585 000            |
| Non-current Investments                    | 12   | 112 660            | 95 826             |
| <b>Total Assets</b>                        |      | <b>349 167 655</b> | <b>362 781 159</b> |
| <b>LIABILITIES</b>                         |      |                    |                    |
| <b>Current Liabilities</b>                 |      | <b>32 726 430</b>  | <b>34 388 287</b>  |
| Consumer Deposits                          | 13   | 164 402            | 163 971            |
| Provisions                                 | 14   | -                  | -                  |
| Payables                                   | 15   | 16 068 867         | 18 909 436         |
| Unspent Conditional Grants and Receipts    | 16   | 12 080 659         | 12 487 503         |
| Bank Overdraft                             | 7    | 3 915 357          | 2 065 666          |
| Current Portion of Long-term Liabilities   | 17   | 497 144            | 761 711            |
| <b>Non-Current Liabilities</b>             |      | <b>30 263 894</b>  | <b>25 175 006</b>  |
| Long-term Liabilities                      | 17   | 13 213 949         | 9 611 998          |
| Non-current Provisions                     | 18   | 17 049 945         | 15 563 009         |
| <b>Total Liabilities</b>                   |      | <b>62 990 323</b>  | <b>59 563 294</b>  |
| <b>Total Assets and Liabilities</b>        |      | <b>286 177 332</b> | <b>303 217 865</b> |
| <b>NET ASSETS</b>                          |      | <b>286 177 333</b> | <b>303 217 865</b> |
| Accumulated Surplus / (Deficit)            | 19   | 286 177 333        | 303 217 865        |
| <b>Total Net Assets</b>                    |      | <b>286 177 333</b> | <b>303 217 865</b> |

**Mohokare Local Municipality**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012**

|                                                   |      | Actual              |                     |
|---------------------------------------------------|------|---------------------|---------------------|
|                                                   | Note | 2012                | 2011                |
|                                                   |      | R                   | R                   |
| <b>REVENUE</b>                                    |      |                     |                     |
| <b>Revenue from Non-exchange Transactions</b>     |      |                     |                     |
| Property Rates                                    | 20   | 7 231 215           | 6 062 907           |
| Fines                                             |      | 157 143             | 156 055             |
| Gains on Fair Value adjustments                   |      | 16 834              | 1 780 205           |
| Licences and Permits                              |      | 439                 | 4 153               |
| Government Grants and Subsidies Received          | 21   | 75 357 043          | 68 189 764          |
| Public Contributions and Donations                | 22   | -                   | 20 580              |
| <b>Revenue from Exchange Transactions</b>         |      |                     |                     |
| Service Charges                                   | 23   | 35 847 242          | 28 275 180          |
| Rental of Facilities and Equipment                | 24   | 663 136             | 656 777             |
| Interest Earned - External Investments            | 25   | 140 677             | 31 636              |
| Interest Earned - Outstanding Debtors             | 25   | 273 209             | 226 493             |
| Dividends Received                                |      | 2 962               | 1 733               |
| Other Income                                      | 26   | 567 172             | 974 842             |
| <b>Total Revenue</b>                              |      | <b>120 257 072</b>  | <b>106 380 325</b>  |
| <b>EXPENDITURE</b>                                |      |                     |                     |
| Employee Related Costs                            | 27   | 35 362 981          | 30 691 492          |
| Remuneration of Councillors                       | 28   | 2 599 729           | 2 209 126           |
| Depreciation and Amortisation                     | 29   | 21 215 435          | 21 078 163          |
| Impairment Losses                                 | 30   | 32 945 571          | 15 271 157          |
| Repairs and Maintenance                           |      | 1 722 911           | 1 024 249           |
| Finance Costs                                     | 31   | 2 080 323           | 2 436 791           |
| Bulk Purchases                                    | 32   | 14 183 363          | 16 136 859          |
| Contracted Services                               | 33   | 5 169 266           | 8 020 299           |
| Grants and Subsidies Paid                         | 34   | 1 091 381           | 4 155 906           |
| General Expenses                                  | 35   | 20 795 542          | 19 176 808          |
| Loss on Disposal of Property, Plant and Equipment |      | 131 102             | -                   |
| <b>Total Expenditure</b>                          |      | <b>137 297 604</b>  | <b>120 200 851</b>  |
| <b>SURPLUS / (DEFICIT) FOR THE YEAR</b>           |      | <b>(17 040 532)</b> | <b>(13 820 526)</b> |

Refer to Appendix E(1) for explanation of budget variances

# Mohokare Local Municipality

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

| Description                                           | Accumulated<br>Surplus /<br>(Deficit) | Total for<br>Accumulated<br>Surplus/(Deficit)<br>Account | Total              |
|-------------------------------------------------------|---------------------------------------|----------------------------------------------------------|--------------------|
|                                                       | R                                     | R                                                        | R                  |
| <b>2011</b>                                           |                                       |                                                          |                    |
| Balance at 30 June 2010                               | 165 991 138                           | 165 991 138                                              | 165 991 138        |
| Change in Accounting Policy (Note 36)                 | (507 101)                             | (507 101)                                                | (507 101)          |
| Correction of Error (Note 36)                         | 160 582 188                           | 160 582 188                                              | 160 582 188        |
| <b>Restated Balance</b>                               | <b>326 066 225</b>                    | <b>326 066 225</b>                                       | <b>326 066 225</b> |
| Surplus / (Deficit) for the year                      | (13 820 526)                          | (13 820 526)                                             | (13 820 526)       |
| Centlec - net equity adjustment                       | (3 907 834)                           | (3 907 834)                                              | (3 907 834)        |
| Changes in revaluation of Property, Plant & Equipment | 28 523 647                            | 28 523 647                                               | 28 523 647         |
| Overstatement of grant debtor                         | (8 021 756)                           | (8 021 756)                                              | (8 021 756)        |
| Capitalisation of prior year asset                    | (13 263 569)                          | (13 263 569)                                             | (13 263 569)       |
| MIG Liability previously not recognized               | (12 373 362)                          | (12 373 362)                                             | (12 373 362)       |
| Other adjustments directly in equity                  | 15 039                                | 15 039                                                   | 15 039             |
| <b>Balance at 30 June 2011</b>                        | <b>303 217 864</b>                    | <b>303 217 864</b>                                       | <b>303 217 864</b> |
| <b>2012</b>                                           |                                       |                                                          |                    |
| Change in Accounting Policy (Note 36)                 | -                                     | -                                                        | -                  |
| Correction of Error (Note 36)                         | -                                     | -                                                        | -                  |
| <b>Restated Balance</b>                               | <b>303 217 865</b>                    | <b>303 217 864</b>                                       | <b>303 217 864</b> |
| Surplus / (Deficit) for the year                      | (17 040 532)                          | (17 040 532)                                             | (17 040 532)       |
| <b>Balance at 30 June 2012</b>                        | <b>286 177 332</b>                    | <b>286 177 331</b>                                       | <b>286 177 331</b> |

Details on the movement of the Funds and Reserves are set out in Note 36.

# Mohokare Local Municipality

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

|                                                               |           | Actual              |                     |
|---------------------------------------------------------------|-----------|---------------------|---------------------|
|                                                               |           | 2012                | 2011                |
|                                                               |           | R                   | R                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   | Note      |                     |                     |
| <b>Receipts</b>                                               |           |                     |                     |
| Cash receipts from Ratepayers, Government and Other           |           | 126 562 317         | 115 155 264         |
| Interest Received                                             |           | 413 886             | 258 129             |
| <b>Payments</b>                                               |           |                     |                     |
| Cash paid to suppliers and Employees                          |           | (110 208 287)       | (88 814 995)        |
| Interest Paid                                                 |           | (2 080 323)         | (2 436 791)         |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>               | <b>39</b> | <b>14 687 593</b>   | <b>24 161 607</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |           |                     |                     |
| Purchase of Property, Plant and Equipment                     | 7         | (20 098 952)        | (29 980 227)        |
| Proceeds on Disposal of Property, Plant and Equipment         |           | 5                   | 740 308             |
| Decrease / (Increase) in Non-current Investments              |           | -                   | (95 826)            |
| <b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>               |           | <b>(20 098 947)</b> | <b>(29 335 745)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |           |                     |                     |
| Borrowings                                                    |           | 3 337 384           | 4 593 703           |
| <b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>               |           | <b>3 337 384</b>    | <b>4 593 703</b>    |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b> |           | <b>(2 073 970)</b>  | <b>(580 434)</b>    |
| Cash and Cash Equivalents at Beginning of Period              |           | (1 552 792)         | (972 358)           |
| Cash and Cash Equivalents at End of Period                    |           | (3 626 762)         | (1 552 792)         |

## BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

| Description                                | Original<br>Total<br>Budget | Budget<br>Adjustments | Virement | Final<br>Budget | Actual<br>Outcome | Unauthorised<br>Expenditure | Variance    | Actual Outcome<br>as % of<br>Final Budget | Actual Outcome<br>as % of<br>Original Budget |
|--------------------------------------------|-----------------------------|-----------------------|----------|-----------------|-------------------|-----------------------------|-------------|-------------------------------------------|----------------------------------------------|
|                                            | R                           | R                     | R        | R               | R                 | R                           | R           | R                                         | R                                            |
| <b>FINANCIAL POSITION</b>                  |                             |                       |          |                 |                   |                             |             |                                           |                                              |
| <b>Current Assets</b>                      |                             |                       |          |                 |                   |                             |             |                                           |                                              |
| Inventories                                | -                           | -                     | -        | -               | 626 830           | -                           | 626 830     | 0.00                                      | 0.00                                         |
| Non-current Assets Held-for-Sale           | -                           | -                     | -        | -               | 4 215 670         | -                           | 4 215 670   | 0.00                                      | 0.00                                         |
| Receivables from Exchange Transactions     | -                           | -                     | -        | -               | 862 467           | -                           | 862 467     | 0.00                                      | 0.00                                         |
| Receivables from Non-exchange Transactions | -                           | -                     | -        | -               | 360               | -                           | 360         | 0.00                                      | 0.00                                         |
| VAT Receivable                             | -                           | -                     | -        | -               | 12 367 668        | -                           | 12 367 668  | 0.00                                      | 0.00                                         |
| Cash and Cash Equivalents                  | -                           | -                     | -        | -               | 288 595           | -                           | 288 595     | 0.00                                      | 0.00                                         |
| Sundry Debtors                             | -                           | -                     | -        | -               | 1 158 062         | -                           | 1 158 062   | 0.00                                      | 0.00                                         |
| <b>Non-Current Assets</b>                  |                             |                       |          |                 |                   |                             |             |                                           |                                              |
| Property, Plant and Equipment              | -                           | -                     | -        | -               | 308 051 336       | -                           | 308 051 336 | 0.00                                      | 0.00                                         |
| Intangible Assets                          | -                           | -                     | -        | -               | 534 123           | -                           | 534 123     | 0.00                                      | 0.00                                         |
| Investment Property                        | -                           | -                     | -        | -               | 20 519 205        | -                           | 20 519 205  | 0.00                                      | 0.00                                         |
| Biological Assets                          | -                           | -                     | -        | -               | 430 680           | -                           | 430 680     | 0.00                                      | 0.00                                         |
| Non-current Investments                    | -                           | -                     | -        | -               | 112 660           | -                           | 112 660     | 0.00                                      | 0.00                                         |
| <b>Total Assets</b>                        | -                           | -                     | -        | -               | 349 167 656       | -                           | 349 167 656 | 0.00                                      | 0.00                                         |
| <b>Current Liabilities</b>                 |                             |                       |          |                 |                   |                             |             |                                           |                                              |
| Consumer Deposits                          | -                           | -                     | -        | -               | 164 402           | -                           | 164 402     | 0.00                                      | 0.00                                         |
| Payables                                   | -                           | -                     | -        | -               | 16 068 867        | -                           | 16 068 867  | 0.00                                      | 0.00                                         |
| Unspent Conditional Grants and Receipts    | -                           | -                     | -        | -               | 12 080 659        | -                           | 12 080 659  | 0.00                                      | 0.00                                         |
| Bank Overdraft                             | -                           | -                     | -        | -               | 3 915 357         | -                           | 3 915 357   | 0.00                                      | 0.00                                         |
| Current Portion of Long-term Liabilities   | -                           | -                     | -        | -               | 497 144           | -                           | 497 144     | 0.00                                      | 0.00                                         |
| <b>Non-Current Liabilities</b>             |                             |                       |          |                 |                   |                             |             |                                           |                                              |
| Long-term Liabilities                      | -                           | -                     | -        | -               | 13 213 949        | -                           | 13 213 949  | 0.00                                      | 0.00                                         |
| Non-current Provisions                     | -                           | -                     | -        | -               | 17 049 945        | -                           | 17 049 945  | 0.00                                      | 0.00                                         |
| <b>Total Liabilities</b>                   | -                           | -                     | -        | -               | 62 990 324        | -                           | 62 990 324  | 0.00                                      | 0.00                                         |
| <b>Total Assets and Liabilities</b>        | -                           | -                     | -        | -               | 286 177 332       | -                           | 286 177 332 | 0.00                                      | 0.00                                         |
| <b>Net Assets (Equity)</b>                 |                             |                       |          |                 |                   |                             |             |                                           |                                              |
| Accumulated Surplus / (Deficit)            | -                           | -                     | -        | -               | 286 177 333       | -                           | 286 177 333 | 0.00                                      | 0.00                                         |
| <b>Total Net Assets</b>                    | -                           | -                     | -        | -               | 286 177 333       | -                           | 286 177 333 | 0.00                                      | 0.00                                         |

**BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont)**

| Description                                                        | Original<br>Total<br>Budget | Budget<br>Adjustments | Virement | Final<br>Budget   | Actual<br>Outcome   | Unauthorised<br>Expenditure | Variance            | Actual Outcome<br>as % of<br>Final Budget | Actual Outcome<br>as % of<br>Original Budget |
|--------------------------------------------------------------------|-----------------------------|-----------------------|----------|-------------------|---------------------|-----------------------------|---------------------|-------------------------------------------|----------------------------------------------|
|                                                                    | R                           | R                     | R        | R                 | R                   | R                           | R                   | R                                         | R                                            |
| <b>FINANCIAL PERFORMANCE</b>                                       |                             |                       |          |                   |                     |                             |                     |                                           |                                              |
| <b>Revenue from Non-exchange Transactions</b>                      |                             |                       |          |                   |                     |                             |                     |                                           |                                              |
| Property Rates                                                     | 6 846 144                   | -                     | -        | 6 846 144         | 7 231 215           | -                           | 385 071             | 105.62                                    | 105.62                                       |
| Fines                                                              | 1 210 000                   | (1 160 000)           | -        | 50 000            | 157 143             | -                           | 107 143             | 314.29                                    | 12.99                                        |
| Licences and Permits                                               | 110                         | 890                   | -        | 1 000             | 439                 | -                           | (561)               | 43.86                                     | 398.73                                       |
| Government Grants and Subsidies Received                           | 63 839 447                  | 8 871 553             | -        | 72 711 000        | 75 357 043          | -                           | 2 646 043           | 103.64                                    | 118.04                                       |
| Public Contributions and Donations                                 | (28 052)                    | -                     | -        | (28 052)          | -                   | -                           | 28 052              | 0.00                                      | 0.00                                         |
| Service Charges                                                    | 4 711 934                   | 2 355 170             | -        | 7 067 104         | 35 847 242          | -                           | 28 780 138          | 507.24                                    | 760.78                                       |
| Rental of Facilities and Equipment                                 | 524 607                     | -                     | -        | 524 607           | 663 136             | -                           | 138 529             | 126.41                                    | 126.41                                       |
| Interest Earned - External Investments                             | 478                         | 14 522                | -        | 15 000            | 140 677             | -                           | 125 677             | 937.84                                    | 29 433.34                                    |
| Interest Earned - Outstanding Debtors                              | 242 201                     | -                     | -        | 242 201           | 273 209             | -                           | 31 008              | 112.80                                    | 112.80                                       |
| Dividends Received                                                 | 7 626                       | -                     | -        | 7 626             | 2 962               | -                           | (4 664)             | 38.84                                     | 38.84                                        |
| Royalties Received                                                 | -                           | -                     | -        | -                 | 16 834              | -                           | 16 834              | 0.00                                      | 0.00                                         |
| Other Income                                                       | 265 685                     | 500 182               | -        | 765 868           | 567 172             | -                           | (198 696)           | 74.06                                     | 213.48                                       |
| <b>Total Revenue</b>                                               | <b>77 620 181</b>           | <b>10 582 318</b>     | <b>-</b> | <b>88 202 499</b> | <b>120 257 072</b>  | <b>-</b>                    | <b>32 054 573</b>   | <b>136.34</b>                             | <b>154.93</b>                                |
| <b>Expenditure</b>                                                 |                             |                       |          |                   |                     |                             |                     |                                           |                                              |
| Employee Related Costs                                             | 40 327 844                  | (3 355 834)           | -        | 36 972 010        | 35 362 981          | -                           | (1 609 029)         | 95.65                                     | 87.69                                        |
| Remuneration of Councillors                                        | 2 511 235                   | 90 153                | -        | 2 601 389         | 2 599 729           | -                           | (1 659)             | 99.94                                     | 103.52                                       |
| Depreciation and Amortisation                                      | -                           | -                     | -        | -                 | 21 215 435          | 21 215 435                  | 21 215 435          | 0.00                                      | 0.00                                         |
| Impairment Losses                                                  | 1 595 310                   | -                     | -        | 1 595 310         | 32 945 571          | 31 350 261                  | 31 350 261          | 2 065.15                                  | 2 065.15                                     |
| Repairs and Maintenance                                            | 1 221 259                   | 1 393 089             | -        | 2 614 348         | 1 722 911           | -                           | (891 438)           | 65.90                                     | 141.08                                       |
| Finance Costs                                                      | 228 566                     | (151 068)             | -        | 77 497            | 2 080 323           | 2 002 826                   | 2 002 826           | 2 684.39                                  | 910.16                                       |
| Bulk Purchases                                                     | 493 097                     | 932 712               | -        | 1 425 809         | 14 183 363          | 12 757 554                  | 12 757 554          | 994.76                                    | 2 876.38                                     |
| Contracted Services                                                | 5 150 945                   | (29 055)              | -        | 5 121 890         | 5 169 266           | 47 376                      | 47 376              | 100.92                                    | 100.36                                       |
| Grants and Subsidies Paid                                          | 1 417 410                   | -                     | -        | 1 417 410         | 1 091 381           | -                           | (326 029)           | 77.00                                     | 77.00                                        |
| General Expenses                                                   | 19 902 195                  | (3 964 487)           | -        | 15 937 708        | 20 795 542          | 4 857 834                   | 4 857 834           | 130.48                                    | 104.49                                       |
| Loss on Disposal of Property, Plant and Equipment                  | -                           | -                     | -        | -                 | 131 102             | 131 102                     | 131 102             | 0.00                                      | 0.00                                         |
| <b>Total Expenditure</b>                                           | <b>72 847 860</b>           | <b>(5 084 490)</b>    | <b>-</b> | <b>67 763 370</b> | <b>137 297 604</b>  | <b>72 362 388</b>           | <b>69 534 234</b>   | <b>202.61</b>                             | <b>188.47</b>                                |
| <b>Surplus/(Deficit)</b>                                           | <b>4 772 320</b>            | <b>15 666 808</b>     | <b>-</b> | <b>20 439 128</b> | <b>(17 040 532)</b> | <b>(72 362 388)</b>         | <b>(37 479 660)</b> | <b>0.00</b>                               | <b>0.00</b>                                  |
| <b>Surplus/(Deficit) after Capital Transfers and Contributions</b> | <b>4 772 320</b>            | <b>15 666 808</b>     | <b>-</b> | <b>20 439 128</b> | <b>(17 040 532)</b> | <b>(72 362 388)</b>         | <b>(37 479 660)</b> | <b>0.00</b>                               | <b>0.00</b>                                  |
| <b>Surplus/(Deficit) for the Year</b>                              | <b>4 772 320</b>            | <b>15 666 808</b>     | <b>-</b> | <b>20 439 128</b> | <b>(17 040 532)</b> | <b>(72 362 388)</b>         | <b>(37 479 660)</b> | <b>-</b>                                  | <b>-</b>                                     |

**BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont)**

| Description                                           | Original<br>Total<br>Budget | Budget<br>Adjustments | Virement | Final<br>Budget   | Actual<br>Outcome  | Unauthorised<br>Expenditure | Variance           | Actual Outcome<br>as % of<br>Final Budget | Actual Outcome<br>as % of<br>Original Budget |
|-------------------------------------------------------|-----------------------------|-----------------------|----------|-------------------|--------------------|-----------------------------|--------------------|-------------------------------------------|----------------------------------------------|
| <b>CAPITAL EXPENDITURE PER FUNCTION</b>               |                             |                       |          |                   |                    |                             |                    |                                           |                                              |
| Executive and Council                                 | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Finance and Administration                            | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Planning and Development                              | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Health                                                | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Community and Social Services                         | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Housing                                               | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Public Safety                                         | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Sport and Recreation                                  | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Environmental Protection                              | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Waste Management                                      | 9 616 947                   | -                     | -        | 9 616 947         | 8 124 886          | -                           | (1 492 061)        | 84.49                                     | 84.49                                        |
| Roads and Transport                                   | 8 990 000                   | -                     | -        | 8 990 000         | 11 131 874         | 2 141 874                   | 2 141 874          | 123.83                                    | 123.83                                       |
| Water                                                 | 4 300 000                   | -                     | -        | 4 300 000         | 857 035            | -                           | (3 442 965)        | 19.93                                     | 19.93                                        |
| Electricity                                           | 1 210 000                   | -                     | -        | 1 210 000         | 1 214 789          | 4 789                       | 4 789              | 100.40                                    | 100.40                                       |
| Other                                                 | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| <b>Total Sources of Capital Funds</b>                 | <b>24 116 947</b>           | <b>-</b>              | <b>-</b> | <b>24 116 947</b> | <b>21 328 584</b>  | <b>2 146 663</b>            | <b>(2 788 363)</b> | <b>88.44</b>                              | <b>88.44</b>                                 |
| <b>CASH FLOW</b>                                      |                             |                       |          |                   |                    |                             |                    |                                           |                                              |
| <b>Cash Flows from/(used in) Operating Activities</b> |                             |                       |          |                   |                    |                             |                    |                                           |                                              |
| Cash Receipts from Ratepayers, Government and Other   | -                           | -                     | -        | -                 | 126 562 317        | 126 562 317                 | 126 562 317        | 0.00                                      | 0.00                                         |
| Cash Paid to Suppliers and Employees                  | -                           | -                     | -        | -                 | (110 208 287)      | -                           | (110 208 287)      | 0.00                                      | 0.00                                         |
| Dividends received                                    | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Royalties received                                    | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Interest received                                     | -                           | -                     | -        | -                 | 413 886            | 413 886                     | 413 886            | 0.00                                      | 0.00                                         |
| Interest paid                                         | -                           | -                     | -        | -                 | (2 080 323)        | -                           | (2 080 323)        | 0.00                                      | 0.00                                         |
| Cash Flows from/(used in) Investing Activities        |                             |                       |          |                   |                    |                             |                    |                                           |                                              |
| Purchase of Property, Plant and Equipment             | -                           | -                     | -        | -                 | (20 098 952)       | -                           | (20 098 952)       | 0.00                                      | 0.00                                         |
| Purchase of Intangible Assets                         | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Purchase of Investment Property                       | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Proceeds on Disposal of Property, Plant and Equipment | -                           | -                     | -        | -                 | 5                  | 5                           | 5                  | 0.00                                      | 0.00                                         |
| Proceeds on Disposal of Intangible Assets             | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Proceeds on Disposal of Investment Property           | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Profit on Sale of Land                                | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Decrease / (Increase) in Non-current Investments      | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Decrease / (Increase) in Investments in Associates    | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Decrease / (Increase) in Long-term Receivables        | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Cash Flows from/(used in) Financing Activities        |                             |                       |          |                   |                    |                             |                    |                                           |                                              |
| New Loans raised                                      | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| Loans repaid                                          | -                           | -                     | -        | -                 | 3 337 384          | 3 337 384                   | 3 337 384          | 0.00                                      | 0.00                                         |
| Increase / (Decrease) in Short-term Loans             | -                           | -                     | -        | -                 | -                  | -                           | -                  | 0.00                                      | 0.00                                         |
| <b>Cash and Cash Equivalents at End of the Year</b>   | <b>-</b>                    | <b>-</b>              | <b>-</b> | <b>-</b>          | <b>(2 073 970)</b> | <b>130 313 592</b>          | <b>(2 073 970)</b> | <b>0.00</b>                               | <b>0.00</b>                                  |

**BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont)**

**Financial Performance: Explanation of Variances between Approved Budget and Actual**

For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

**Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual**

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

**30 June 2011**

| Description                                  | Original<br>Total<br>Budget | Budget<br>Adjustments | Virement | Final<br>Budget | Actual<br>Outcome | Unauthorised<br>Expenditure | Variance    | Actual Outcome<br>as % of<br>Final Budget | Actual Outcome<br>as % of<br>Original Budget |
|----------------------------------------------|-----------------------------|-----------------------|----------|-----------------|-------------------|-----------------------------|-------------|-------------------------------------------|----------------------------------------------|
|                                              | R                           | R                     | R        | R               | R                 | R                           | R           | R                                         | R                                            |
| <b>FINANCIAL POSITION</b>                    |                             |                       |          |                 |                   |                             |             |                                           |                                              |
| <b>Current Assets</b>                        |                             |                       |          |                 |                   |                             |             |                                           |                                              |
| Inventories                                  | -                           | -                     | -        | -               | 511 904           | -                           | 511 904     | 0.00                                      | 0.00                                         |
| Non-current Assets Held-for-Sale             | -                           | -                     | -        | -               | 4 215 670         | -                           | 4 215 670   | 0.00                                      | 0.00                                         |
| Receivables from Exchange Transactions       | -                           | -                     | -        | -               | 5 886 949         | -                           | 5 886 949   | 0.00                                      | 0.00                                         |
| Receivables from Non-exchange Transactions   | -                           | -                     | -        | -               | 4 126 581         | -                           | 4 126 581   | 0.00                                      | 0.00                                         |
| VAT Receivable                               | -                           | -                     | -        | -               | 15 183 263        | -                           | 15 183 263  | 0.00                                      | 0.00                                         |
| Cash and Cash Equivalents                    | -                           | -                     | -        | -               | 512 874           | -                           | 512 874     | 0.00                                      | 0.00                                         |
| Sundry Debtors                               | -                           | -                     | -        | -               | 1 156 845         | -                           | 1 156 845   | 0.00                                      | 0.00                                         |
| Current Portion of Finance Lease Receivables | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| Current Portion of Long-term Receivables     | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| <b>Non-Current Assets</b>                    |                             |                       |          |                 |                   |                             |             |                                           |                                              |
| Property, Plant and Equipment                | -                           | -                     | -        | -               | 309 452 919       | -                           | 309 452 919 | 0.00                                      | 0.00                                         |
| Intangible Assets                            | -                           | -                     | -        | -               | 534 123           | -                           | 534 123     | 0.00                                      | 0.00                                         |
| Investment Property                          | -                           | -                     | -        | -               | 20 519 205        | -                           | 20 519 205  | 0.00                                      | 0.00                                         |
| Heritage Assets                              | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| Biological Assets                            | -                           | -                     | -        | -               | 585 000           | -                           | 585 000     | 0.00                                      | 0.00                                         |
| Non-current Investments                      | -                           | -                     | -        | -               | 95 826            | -                           | 95 826      | 0.00                                      | 0.00                                         |
| Investments in Associates                    | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| Finance Lease Receivables                    | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| Long-term Receivables                        | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| <b>Total Assets</b>                          | -                           | -                     | -        | -               | 362 781 159       | -                           | 362 781 159 | 0.00                                      | 0.00                                         |

**BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont)**

| Description                                      | Original<br>Total<br>Budget | Budget<br>Adjustments | Virement | Final<br>Budget | Actual<br>Outcome | Unauthorised<br>Expenditure | Variance    | Actual Outcome<br>as % of<br>Final Budget | Actual Outcome<br>as % of<br>Original Budget |
|--------------------------------------------------|-----------------------------|-----------------------|----------|-----------------|-------------------|-----------------------------|-------------|-------------------------------------------|----------------------------------------------|
| <b>Current Liabilities</b>                       |                             |                       |          |                 |                   |                             |             |                                           |                                              |
| Consumer Deposits                                | -                           | -                     | -        | -               | 163 971           | -                           | 163 971     | 0.00                                      | 0.00                                         |
| Provisions                                       | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| Payables                                         | -                           | -                     | -        | -               | 18 909 436        | -                           | 18 909 436  | 0.00                                      | 0.00                                         |
| Unspent Conditional Grants and Receipts          | -                           | -                     | -        | -               | 12 487 503        | -                           | 12 487 503  | 0.00                                      | 0.00                                         |
| VAT Payable                                      | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| Short-term Loans                                 | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| Operating Lease Liabilities/Payables             | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| Liabilities associated with Assets Held-for-Sale | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| Bank Overdraft                                   | -                           | -                     | -        | -               | 2 065 666         | -                           | 2 065 666   | 0.00                                      | 0.00                                         |
| Current Portion of Long-term Liabilities         | -                           | -                     | -        | -               | 761 711           | -                           | 761 711     | 0.00                                      | 0.00                                         |
| <b>Non-Current Liabilities</b>                   |                             |                       |          |                 |                   |                             |             |                                           |                                              |
| Long-term Liabilities                            | -                           | -                     | -        | -               | 9 611 998         | -                           | 9 611 998   | 0.00                                      | 0.00                                         |
| Retirement Benefit Liabilities                   | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| Non-current Provisions                           | -                           | -                     | -        | -               | 15 563 009        | -                           | 15 563 009  | 0.00                                      | 0.00                                         |
| <b>Total Liabilities</b>                         | -                           | -                     | -        | -               | 59 563 293        | -                           | 59 563 293  | 0.00                                      | 0.00                                         |
| <b>Total Assets and Liabilities</b>              | -                           | -                     | -        | -               | 303 217 866       | -                           | 303 217 866 | 0.00                                      | 0.00                                         |
| <b>Net Assets (Equity)</b>                       |                             |                       |          |                 |                   |                             |             |                                           |                                              |
| Statutory Funds                                  | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| Reserves                                         | -                           | -                     | -        | -               | -                 | -                           | -           | 0.00                                      | 0.00                                         |
| Accumulated Surplus / (Deficit)                  | -                           | -                     | -        | -               | 303 217 865       | -                           | 303 217 865 | 0.00                                      | 0.00                                         |
| <b>Total Net Assets</b>                          | -                           | -                     | -        | -               | 303 217 865       | -                           | 303 217 865 | 0.00                                      | 0.00                                         |

**BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont)**

| Description                                               | Original<br>Total<br>Budget | Budget<br>Adjustments | Virement | Final<br>Budget   | Actual<br>Outcome  | Unauthorised<br>Expenditure | Variance          | Actual Outcome<br>as % of<br>Final Budget | Actual Outcome<br>as % of<br>Original Budget |
|-----------------------------------------------------------|-----------------------------|-----------------------|----------|-------------------|--------------------|-----------------------------|-------------------|-------------------------------------------|----------------------------------------------|
| <b>FINANCIAL PERFORMANCE</b>                              |                             |                       |          |                   |                    |                             |                   |                                           |                                              |
| <b>Revenue from Non-exchange Transactions</b>             |                             |                       |          |                   |                    |                             |                   |                                           |                                              |
| Property Rates                                            | 4 615 027                   | -                     | -        | 4 615 027         | 6 062 907          | -                           | 1 447 880         | 131.37                                    | 131.37                                       |
| Property Rates - Penalties imposed and collection charges | -                           | -                     | -        | -                 | -                  | -                           | -                 | 0.00                                      | 0.00                                         |
| Fines                                                     | 710 463                     | -                     | -        | 710 463           | 156 055            | -                           | (554 408)         | 21.97                                     | 21.97                                        |
| Licences and Permits                                      | -                           | -                     | -        | -                 | 4 153              | -                           | 4 153             | 0.00                                      | 0.00                                         |
| Income for Agency Services                                | -                           | -                     | -        | -                 | -                  | -                           | -                 | 0.00                                      | 0.00                                         |
| Government Grants and Subsidies Received                  | 56 240 298                  | -                     | -        | 56 240 298        | 52 882 210         | -                           | (3 358 088)       | 94.03                                     | 94.03                                        |
| Public Contributions and Donations                        | -                           | -                     | -        | -                 | 20 580             | -                           | 20 580            | 0.00                                      | 0.00                                         |
| <b>Revenue from Exchange Transactions</b>                 | -                           |                       |          |                   |                    |                             |                   |                                           |                                              |
| Service Charges                                           | 23 386 866                  | -                     | -        | 23 386 866        | 28 275 180         | -                           | 4 888 314         | 120.90                                    | 120.90                                       |
| Rental of Facilities and Equipment                        | 723 384                     | -                     | -        | 723 384           | 656 777            | -                           | (66 607)          | 90.79                                     | 90.79                                        |
| Interest Earned - External Investments                    | 67 893                      | -                     | -        | 67 893            | 31 636             | -                           | (36 257)          | 46.60                                     | 46.60                                        |
| Interest Earned - Outstanding Debtors                     | -                           | -                     | -        | -                 | 226 493            | -                           | 226 493           | 0.00                                      | 0.00                                         |
| Dividends Received                                        | 6 933                       | -                     | -        | 6 933             | 1 733              | -                           | (5 199)           | 25.00                                     | 25.00                                        |
| Royalties Received                                        | -                           | -                     | -        | -                 | 1 780 205          | -                           | 1 780 205         | 0.00                                      | 0.00                                         |
| Other Income                                              | 1 081 114                   | -                     | -        | 1 081 114         | 974 842            | -                           | (106 272)         | 90.17                                     | 90.17                                        |
| Other Gains on Continued Operations                       | -                           | -                     | -        | -                 | -                  | -                           | -                 | 0.00                                      | 0.00                                         |
| Gains on Disposal of Property, Plant and Equipment        | -                           | -                     | -        | -                 | -                  | -                           | -                 | 0.00                                      | 0.00                                         |
| Profit on Sale of Land                                    | -                           | -                     | -        | -                 | -                  | -                           | -                 | 0.00                                      | 0.00                                         |
| <b>Total Revenue</b>                                      | <b>86 831 978</b>           | <b>-</b>              | <b>-</b> | <b>86 831 978</b> | <b>91 072 771</b>  | <b>-</b>                    | <b>4 240 793</b>  | <b>104.88</b>                             | <b>104.88</b>                                |
| <b>Expenditure</b>                                        |                             |                       |          |                   |                    |                             |                   |                                           |                                              |
| Employee Related Costs                                    | 33 847 343                  | -                     | -        | 33 847 343        | 30 691 492         | -                           | (3 155 851)       | 90.68                                     | 90.68                                        |
| Remuneration of Councillors                               | 2 321 993                   | -                     | -        | 2 321 993         | 2 209 126          | -                           | (112 867)         | 95.14                                     | 95.14                                        |
| Collection Costs                                          | -                           | -                     | -        | -                 | -                  | -                           | -                 | 0.00                                      | 0.00                                         |
| Depreciation and Amortisation                             | -                           | -                     | -        | -                 | 21 078 163         | 21 078 163                  | 21 078 163        | 0.00                                      | 0.00                                         |
| Impairment Losses                                         | 1 422 247                   | -                     | -        | 1 422 247         | 15 271 157         | 13 848 910                  | 13 848 910        | 1 073.73                                  | 1 073.73                                     |
| Repairs and Maintenance                                   | 1 636 697                   | -                     | -        | 1 636 697         | 1 024 249          | -                           | (612 449)         | 62.58                                     | 62.58                                        |
| Finance Costs                                             | 4 797 180                   | -                     | -        | 4 797 180         | 2 436 791          | -                           | (2 360 389)       | 50.80                                     | 50.80                                        |
| Bulk Purchases                                            | 4 033 319                   | -                     | -        | 4 033 319         | 16 136 859         | 12 103 540                  | 12 103 540        | 400.09                                    | 400.09                                       |
| Contracted Services                                       | 5 200 000                   | -                     | -        | 5 200 000         | 8 020 299          | 2 820 299                   | 2 820 299         | 154.24                                    | 154.24                                       |
| Grants and Subsidies Paid                                 | -                           | -                     | -        | -                 | 4 155 906          | 4 155 906                   | 4 155 906         | 0.00                                      | 0.00                                         |
| Research and Development Costs                            | -                           | -                     | -        | -                 | -                  | -                           | -                 | 0.00                                      | 0.00                                         |
| General Expenses                                          | 28 707 660                  | -                     | -        | 28 707 660        | 19 176 808         | -                           | (9 530 852)       | 66.80                                     | 66.80                                        |
| Other Losses on Continued Operations                      | -                           | -                     | -        | -                 | -                  | -                           | -                 | 0.00                                      | 0.00                                         |
| Loss on Disposal of Property, Plant and Equipment         | -                           | -                     | -        | -                 | -                  | -                           | -                 | 0.00                                      | 0.00                                         |
| <b>Total Expenditure</b>                                  | <b>81 966 439</b>           | <b>-</b>              | <b>-</b> | <b>81 966 439</b> | <b>120 200 851</b> | <b>54 006 819</b>           | <b>38 234 412</b> | <b>146.65</b>                             | <b>146.65</b>                                |

**BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont)**

| Description                                                        | Original<br>Total<br>Budget | Budget<br>Adjustments | Virement | Final<br>Budget   | Actual<br>Outcome   | Unauthorised<br>Expenditure | Variance            | Actual Outcome<br>as % of<br>Final Budget | Actual Outcome<br>as % of<br>Original Budget |
|--------------------------------------------------------------------|-----------------------------|-----------------------|----------|-------------------|---------------------|-----------------------------|---------------------|-------------------------------------------|----------------------------------------------|
| <b>FINANCIAL PERFORMANCE</b>                                       |                             |                       |          |                   |                     |                             |                     |                                           |                                              |
| <b>Revenue from Non-exchange Transactions</b>                      |                             |                       |          |                   |                     |                             |                     |                                           |                                              |
| Property Rates                                                     | 4 615 027                   | -                     | -        | 4 615 027         | 6 062 907           | -                           | 1 447 880           | 131.37                                    | 131.37                                       |
| Fines                                                              | 710 463                     | -                     | -        | 710 463           | 156 055             | -                           | (554 408)           | 21.97                                     | 21.97                                        |
| Licences and Permits                                               | -                           | -                     | -        | -                 | 4 153               | -                           | 4 153               | 0.00                                      | 0.00                                         |
| Income for Agency Services                                         | -                           | -                     | -        | -                 | -                   | -                           | -                   | 0.00                                      | 0.00                                         |
| Government Grants and Subsidies Received                           | 56 240 298                  | -                     | -        | 56 240 298        | 52 882 210          | -                           | (3 358 088)         | 94.03                                     | 94.03                                        |
| Public Contributions and Donations                                 | -                           | -                     | -        | -                 | 20 580              | -                           | 20 580              | 0.00                                      | 0.00                                         |
| <b>Revenue from Exchange Transactions</b>                          | -                           |                       |          |                   |                     |                             |                     |                                           |                                              |
| Service Charges                                                    | 23 386 866                  | -                     | -        | 23 386 866        | 28 275 180          | -                           | 4 888 314           | 120.90                                    | 120.90                                       |
| Rental of Facilities and Equipment                                 | 723 384                     | -                     | -        | 723 384           | 656 777             | -                           | (66 607)            | 90.79                                     | 90.79                                        |
| Interest Earned - External Investments                             | 67 893                      | -                     | -        | 67 893            | 31 636              | -                           | (36 257)            | 46.60                                     | 46.60                                        |
| Interest Earned - Outstanding Debtors                              | -                           | -                     | -        | -                 | 226 493             | -                           | 226 493             | 0.00                                      | 0.00                                         |
| Dividends Received                                                 | 6 933                       | -                     | -        | 6 933             | 1 733               | -                           | (5 199)             | 25.00                                     | 25.00                                        |
| Royalties Received                                                 | -                           | -                     | -        | -                 | 1 780 205           | -                           | 1 780 205           | 0.00                                      | 0.00                                         |
| Other Income                                                       | 1 081 114                   | -                     | -        | 1 081 114         | 974 842             | -                           | (106 272)           | 90.17                                     | 90.17                                        |
| Other Gains on Continued Operations                                | -                           | -                     | -        | -                 | -                   | -                           | -                   | 0.00                                      | 0.00                                         |
| Gains on Disposal of Property, Plant and Equipment                 | -                           | -                     | -        | -                 | -                   | -                           | -                   | 0.00                                      | 0.00                                         |
| Profit on Sale of Land                                             | -                           | -                     | -        | -                 | -                   | -                           | -                   | 0.00                                      | 0.00                                         |
| <b>Total Revenue</b>                                               | <b>86 831 978</b>           | <b>-</b>              | <b>-</b> | <b>86 831 978</b> | <b>91 072 771</b>   | <b>-</b>                    | <b>4 240 793</b>    | <b>104.88</b>                             | <b>104.88</b>                                |
| <b>Expenditure</b>                                                 |                             |                       |          |                   |                     |                             |                     |                                           |                                              |
| Employee Related Costs                                             | 33 847 343                  | -                     | -        | 33 847 343        | 30 691 492          | -                           | (3 155 851)         | 90.68                                     | 90.68                                        |
| Remuneration of Councillors                                        | 2 321 993                   | -                     | -        | 2 321 993         | 2 209 126           | -                           | (112 867)           | 95.14                                     | 95.14                                        |
| Collection Costs                                                   | -                           | -                     | -        | -                 | -                   | -                           | -                   | 0.00                                      | 0.00                                         |
| Depreciation and Amortisation                                      | -                           | -                     | -        | -                 | 21 078 163          | 21 078 163                  | 21 078 163          | 0.00                                      | 0.00                                         |
| Impairment Losses                                                  | 1 422 247                   | -                     | -        | 1 422 247         | 15 271 157          | 13 848 910                  | 13 848 910          | 1 073.73                                  | 1 073.73                                     |
| Repairs and Maintenance                                            | 1 636 697                   | -                     | -        | 1 636 697         | 1 024 249           | -                           | (612 449)           | 62.58                                     | 62.58                                        |
| Finance Costs                                                      | 4 797 180                   | -                     | -        | 4 797 180         | 2 436 791           | -                           | (2 360 389)         | 50.80                                     | 50.80                                        |
| Bulk Purchases                                                     | 4 033 319                   | -                     | -        | 4 033 319         | 16 136 859          | 12 103 540                  | 12 103 540          | 400.09                                    | 400.09                                       |
| Contracted Services                                                | 5 200 000                   | -                     | -        | 5 200 000         | 8 020 299           | 2 820 299                   | 2 820 299           | 154.24                                    | 154.24                                       |
| Grants and Subsidies Paid                                          | -                           | -                     | -        | -                 | 4 155 906           | 4 155 906                   | 4 155 906           | 0.00                                      | 0.00                                         |
| General Expenses                                                   | 28 707 660                  | -                     | -        | 28 707 660        | 19 176 808          | -                           | (9 530 852)         | 66.80                                     | 66.80                                        |
| Other Losses on Continued Operations                               | -                           | -                     | -        | -                 | -                   | -                           | -                   | 0.00                                      | 0.00                                         |
| Loss on Disposal of Property, Plant and Equipment                  | -                           | -                     | -        | -                 | -                   | -                           | -                   | 0.00                                      | 0.00                                         |
| <b>Total Expenditure</b>                                           | <b>81 966 439</b>           | <b>-</b>              | <b>-</b> | <b>81 966 439</b> | <b>120 200 851</b>  | <b>54 006 819</b>           | <b>38 234 412</b>   | <b>146.65</b>                             | <b>146.65</b>                                |
| <b>Surplus/(Deficit)</b>                                           | <b>4 865 539</b>            | <b>-</b>              | <b>-</b> | <b>4 865 539</b>  | <b>(29 128 080)</b> | <b>(54 006 819)</b>         | <b>(33 993 619)</b> | <b>0.00</b>                               | <b>0.00</b>                                  |
| Transfers Recognised – Capital                                     | -                           | -                     | -        | -                 | 15 307 554          | 15 307 554                  | 15 307 554          | 0.00                                      | 0.00                                         |
| Contributions Recognised - Capital and Contributed Assets          | -                           | -                     | -        | -                 | -                   | -                           | -                   | 0.00                                      | 0.00                                         |
| <b>Surplus/(Deficit) after Capital Transfers and Contributions</b> | <b>4 865 539</b>            | <b>-</b>              | <b>-</b> | <b>4 865 539</b>  | <b>(13 820 526)</b> | <b>(38 699 264)</b>         | <b>(18 686 065)</b> | <b>0.00</b>                               | <b>0.00</b>                                  |
| Surplus / (Deficit) from Discontinued Operations                   | -                           | -                     | -        | -                 | -                   | -                           | -                   | 0.00                                      | 0.00                                         |
| <b>Surplus/(Deficit for the Year)</b>                              | <b>4 865 539</b>            | <b>-</b>              | <b>-</b> | <b>4 865 539</b>  | <b>(13 820 526)</b> | <b>(38 699 264)</b>         | <b>(18 686 065)</b> | <b>-</b>                                  | <b>-</b>                                     |

**BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Cont)**

| Description                                           | Original<br>Total<br>Budget | Budget<br>Adjustments | Virement | Final<br>Budget | Actual<br>Outcome | Unauthorised<br>Expenditure | Variance       | Actual Outcome<br>as % of<br>Final Budget | Actual Outcome<br>as % of<br>Original Budget |
|-------------------------------------------------------|-----------------------------|-----------------------|----------|-----------------|-------------------|-----------------------------|----------------|-------------------------------------------|----------------------------------------------|
| <b>CASH FLOW</b>                                      |                             |                       |          |                 |                   |                             |                |                                           |                                              |
| <b>Cash Flows from/(used in) Operating Activities</b> |                             |                       |          |                 |                   |                             |                |                                           |                                              |
| Cash Receipts from Ratepayers, Government and Other   | -                           | -                     | -        | -               | 115 155 264       | 115 155 264                 | 115 155 264    | 0.00                                      | 0.00                                         |
| Cash Paid to Suppliers and Employees                  | -                           | -                     | -        | -               | (88 087 205)      | -                           | (88 087 205)   | 0.00                                      | 0.00                                         |
| Dividends received                                    | -                           | -                     | -        | -               | -                 | -                           | -              | 0.00                                      | 0.00                                         |
| Royalties received                                    | -                           | -                     | -        | -               | -                 | -                           | -              | 0.00                                      | 0.00                                         |
| Interest received                                     | -                           | -                     | -        | -               | 258 129           | 258 129                     | 258 129        | 0.00                                      | 0.00                                         |
| Interest paid                                         | -                           | -                     | -        | -               | (2 436 791)       | -                           | (2 436 791)    | 0.00                                      | 0.00                                         |
| <b>Cash Flows from/(used in) Investing Activities</b> |                             |                       |          |                 |                   |                             |                |                                           |                                              |
| Purchase of Property, Plant and Equipment             | -                           | -                     | -        | -               | (29 980 227)      | -                           | (29 980 227)   | 0.00                                      | 0.00                                         |
| Purchase of Intangible Assets                         | -                           | -                     | -        | -               | -                 | -                           | -              | 0.00                                      | 0.00                                         |
| Purchase of Investment Property                       | -                           | -                     | -        | -               | -                 | -                           | -              | 0.00                                      | 0.00                                         |
| Proceeds on Disposal of Property, Plant and Equipment | -                           | -                     | -        | -               | 740 308           | 740 308                     | 740 308        | 0.00                                      | 0.00                                         |
| Proceeds on Disposal of Intangible Assets             | -                           | -                     | -        | -               | -                 | -                           | -              | 0.00                                      | 0.00                                         |
| Proceeds on Disposal of Investment Property           | -                           | -                     | -        | -               | -                 | -                           | -              | 0.00                                      | 0.00                                         |
| Profit on Sale of Land                                | -                           | -                     | -        | -               | -                 | -                           | -              | 0.00                                      | 0.00                                         |
| Decrease / (Increase) in Non-current Investments      | -                           | -                     | -        | -               | (95 826)          | -                           | (95 826)       | 0.00                                      | 0.00                                         |
| Decrease / (Increase) in Investments in Associates    | -                           | -                     | -        | -               | -                 | -                           | -              | 0.00                                      | 0.00                                         |
| Decrease / (Increase) in Long-term Receivables        | -                           | -                     | -        | -               | -                 | -                           | -              | 0.00                                      | 0.00                                         |
| <b>Cash Flows from/(used in) Financing Activities</b> |                             |                       |          |                 |                   |                             |                |                                           |                                              |
| New Loans raised                                      | -                           | -                     | -        | -               | -                 | -                           | -              | 0.00                                      | 0.00                                         |
| Loans repaid                                          | -                           | -                     | -        | -               | 4 593 703         | 4 593 703                   | 4 593 703      | 0.00                                      | 0.00                                         |
| Increase / (Decrease) in Short-term Loans             | -                           | -                     | -        | -               | -                 | -                           | -              | 0.00                                      | 0.00                                         |
| <b>Cash and Cash Equivalents at End of the Year</b>   | -                           | -                     | -        | -               | <b>147 355</b>    | <b>120 747 404</b>          | <b>147 355</b> | <b>0.00</b>                               | <b>0.00</b>                                  |

**Financial Performance: Explanation of Variances between Approved Budget and Actual**

For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

**Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual**

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

| RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE: |                     |  |                     |
|------------------------------------------------------------------------------------------------------------------|---------------------|--|---------------------|
| Description                                                                                                      | 2011/12             |  | 2010/11             |
|                                                                                                                  | R                   |  | R                   |
| <b>Net surplus/(deficit) per the statement of financial performance</b>                                          | <b>(17 040 532)</b> |  | <b>(13 820 526)</b> |
| <b>Revenue from Non-exchange Transactions</b>                                                                    |                     |  |                     |
| Property Rates                                                                                                   | (385 071)           |  | (1 447 880)         |
| Property Rates - Penalties imposed and collection charges                                                        | -                   |  | -                   |
| Fines                                                                                                            | (107 143)           |  | 554 408             |
| Licences and Permits                                                                                             | 561                 |  | (4 153)             |
| Revenue for Agency Services                                                                                      | -                   |  | -                   |
| Government Grants and Subsidies Received                                                                         | (2 646 043)         |  | (11 949 466)        |
| Public Contributions and Donations                                                                               | (28 052)            |  | (20 580)            |
| <b>Revenue from Exchange Transactions</b>                                                                        |                     |  |                     |
| Service Charges                                                                                                  | (28 780 138)        |  | (4 888 314)         |
| Rental of Facilities and Equipment                                                                               | (138 529)           |  | 66 607              |
| Interest Earned - External Investments                                                                           | (125 677)           |  | 36 257              |
| Interest Earned - Outstanding Debtors                                                                            | (31 008)            |  | (226 493)           |
| Dividends Received                                                                                               | 4 664               |  | 5 199               |
| Royalties Received                                                                                               | -                   |  | -                   |
| Other Revenue                                                                                                    | 198 696             |  | 106 272             |
| Other Gains on Continued Operations                                                                              | -                   |  | -                   |
| Gains on Disposal of Property, Plant and Equipment                                                               | -                   |  | -                   |
| Profit on Sale of Land                                                                                           | -                   |  | -                   |
| <b>Expenditure</b>                                                                                               |                     |  |                     |
| Employee Related Costs                                                                                           | (1 609 029)         |  | (3 155 851)         |
| Remuneration of Councillors                                                                                      | (1 659)             |  | (112 867)           |
| Collection Costs                                                                                                 | -                   |  | -                   |
| Depreciation and Amortisation                                                                                    | 21 215 435          |  | 21 078 163          |
| Impairment Losses                                                                                                | 31 350 261          |  | 13 848 910          |
| Repairs and Maintenance                                                                                          | (891 438)           |  | (612 449)           |
| Finance Costs                                                                                                    | 2 002 826           |  | (2 360 389)         |
| Bulk Purchases                                                                                                   | 12 757 554          |  | 12 103 540          |
| Contracted Services                                                                                              | 47 376              |  | 2 820 299           |
| Grants and Subsidies Paid                                                                                        | (326 029)           |  | 4 155 906           |
| Research and Development Costs                                                                                   | -                   |  | -                   |
| General Expenses                                                                                                 | 4 857 834           |  | (9 530 852)         |
| Other Losses on Continued Operations                                                                             | -                   |  | -                   |
| Loss on Disposal of Property, Plant and Equipment                                                                | 131 102             |  | -                   |
| <b>Net surplus/deficit per approved budget</b>                                                                   | <b>20 455 962</b>   |  | <b>6 645 744</b>    |

## **MOHOKARE LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2012**

#### **1. BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

##### **1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY**

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

##### **1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS**

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

##### **1. 2. 1 Revenue Recognition**

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

**MOHOKARE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**1. BASIS OF PRESENTATION (continued)**

**1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)**

**1. 2. 2 Financial Assets and Liabilities**

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement*.

**1. 2. 3 Impairment of Financial Assets**

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due (If longer than 60 days from billing date the full amount is impaired) and an assessment of their ability to make payments based on their creditworthiness.

This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions amounted to R41 029 495 and that of trade and other receivable from non exchange transactions to R6 597 107.

**1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property**

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

**1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories**

Accounting Policy 3.9 on *PPE - Impairment of Assets* and Accounting Policy 4.2 on *Intangible Assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

**MOHOKARE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**1. BASIS OF PRESENTATION (continued)**

**1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)**

**1. 2. 5 *Impairment: Write down of Property, Plant and Equipment and Inventories (continued)***

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property plant and equipment amounted to R16 781, whilst no impairments were made to intangible assets or inventory.

**1. 2. 6 *Water inventory***

The estimation of the water stock in the reservoirs is based on the measurement of water via dip stick measurements, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to Note 10 of the accounting policy notes to the Annual Financial Statements.

**1. 2. 7 *Defined Benefit Plan Liabilities***

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. No Liabilities existed at year end.

**1. 2. 8 *Provisions and Contingent Liabilities***

**Provision for Rehabilitation of Refuse Landfill Sites**

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 6% (2011: 6%) and discounted to the present value:

a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 12% (2011: 12%).

**1. 2. 9 *Budget information***

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements.

**1. 3 PRESENTATION CURRENCY**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

**1. 4 GOING CONCERN ASSUMPTION**

The Annual Financial Statements have been prepared on a going concern basis.

**MOHOKARE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**1. BASIS OF PRESENTATION (continued)**

**1. 5 OFFSETTING**

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

**1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)  
Impairment of Cash-generating Assets (GRAP 26 - issued March 2009) Revenue  
from Non-Exchange Transactions (GRAP 23 - issued February 2008) Financial  
Instruments (GRAP 104 Financial Instruments - October 2009)

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

**2. ACCUMULATED SURPLUS**

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

**2. 1 Other Reserves**

The Entity creates and maintains reserves in terms of specific requirements.

**MOHOKARE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**3. PROPERTY, PLANT AND EQUIPMENT**

**3. 1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**3. 2 Subsequent Measurement**

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

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**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

**3. 3 Depreciation**

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

|                              | <b>Years</b> |                                 | <b>Years</b> |
|------------------------------|--------------|---------------------------------|--------------|
| <b><i>Infrastructure</i></b> |              | <b><i>Buildings</i></b>         | 20 - 100     |
| Roads and Paving             | 100          |                                 |              |
| Electricity                  | 45 - 50      | <b><i>Other</i></b>             |              |
| Water                        | 20 - 80      | Specialist Vehicles             | 10           |
| Sewerage                     | 40 - 80      | Other Vehicles                  | 7            |
| Landfill Sites               | 5 - 100      | Office Equipment                | 4 - 7        |
|                              |              | Furniture and Fittings          | 4 - 7        |
| <b><i>Community</i></b>      |              | Bins and Containers             | 4            |
| Recreational Facilities      | 15 - 80      | Specialised Plant and Equipment | 10           |
| Security                     | 5            |                                 |              |

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

**3. 4 Incomplete Construction Work**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

**3. 5 Finance Leases**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

**3. 6 Land**

Land is not depreciated as it is deemed to have an indefinite useful life.

**3. 7 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

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**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

**3. 9 Derecognition of property, plant and equipment**

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

**Transitional provisions**

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2012 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

**4. INTANGIBLE ASSETS**

**4. 1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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**4. INTANGIBLE ASSETS (continued)**

**4. 2 Subsequent Measurement, Amortisation and Impairment**

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight- line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The usefull lives per category of intangible assets are detailed below:

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

**4. 3 Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**5. INVESTMENT PROPERTY**

**5. 1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land or buildings held as lease under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

## **MOHOKARE LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2012**

#### **5. INVESTMENT PROPERTY (Continued)**

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

#### **5. 2 Subsequent Measurement - Fair Value Model**

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation which will occur yearly. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

#### **5. 3 Derecognition**

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

#### **6. IMPAIRMENT OF ASSETS**

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

#### **6. 1 Impairment of Cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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**6. IMPAIRMENT OF ASSETS (continued)**

**6. 2 Impairment of Non-Cash generating assets**

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**7. FINANCIAL INSTRUMENTS**

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

**Initial recognition**

**Fair value methods and assumptions**

**The effective interest rate method**

**Amortised cost**

**MOHOKARE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**7. FINANCIAL INSTRUMENTS (continued)**

**7. 1 Financial Assets - Classification**

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

**7. 1 Financial Assets - Classification**

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

| <b>Type of Financial Asset</b>        | <b>Classification in terms of IAS 39.09</b> |
|---------------------------------------|---------------------------------------------|
| Short-term Investment Deposits – Call | Held-to-maturity investments                |
| Bank Balances and Cash                | Loans and receivables                       |
| Consumer Debtors                      | Loans and receivables                       |
| Other Debtors                         | Loans and receivables                       |

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

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**7. FINANCIAL INSTRUMENTS (continued)**

**7. 2 Financial Liabilities - Classification**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

**7. 2 Financial Liabilities - Classification (continued)**

|                           |                                                                                |
|---------------------------|--------------------------------------------------------------------------------|
| ▪ Long-term Liabilities   | Other financial liabilities (Financial liabilities measured at amortised cost) |
| ▪ Certain Other Creditors | Other financial liabilities (Financial liabilities measured at amortised cost) |
| ▪ Bank Overdraft          | Other financial liabilities (Financial liabilities measured at amortised cost) |
| ▪ Consumer Deposits       | Financial liabilities at fair value through profit and loss                    |

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost)
- (iii) Financial guarantee contract

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**7. 3 Initial and Subsequent Measurement**

**7. 3. 1 Financial Assets:**

*Held-to-maturity Investments* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

*Financial assets at fair value through profit or loss* are initially and subsequently recognised at fair value and changes in fair value recognised directly through profit or loss.

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**7. FINANCIAL INSTRUMENTS (continued)**

**7. 3. 1 Financial Assets:**

*Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .*

*Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.*

*Available-for-Sale Financial Assets* are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

**Financial liabilities**

Financial liabilities that are measured at fair value through profit or loss are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

**Financial Liabilities held at amortised cost**

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

**Financial guarantee contract**

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value.

The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

**7. 4 Impairment of Financial Assets**

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

**Available-for-sale financial assets**

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

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**7. FINANCIAL INSTRUMENTS (continued)**

**Financial assets carried at amortised cost**

Accounts receivables encompass long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**7. 5 Derecognition of Financial Assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**7. 6 Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

**8. INVENTORIES**

**8. 1 Initial Recognition**

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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**8. INVENTORIES (Continued)**

**8. 1 Initial Recognition**

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

**8. 2 Subsequent Measurement**

**Consumable stores, raw materials, work-in-progress and finished goods**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

**Water inventory**

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, nett of trade discounts and rebates.

Water and purified effluent are valued by using the **(weighted average)** method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

**9. NON-CURRENT ASSETS HELD-FOR-SALE**

**9. 1 Initial Recognition**

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**9. 2 Subsequent Measurement**

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

## **MOHOKARE LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2012**

#### **10. REVENUE RECOGNITION**

##### **10. 1 General**

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

##### **10. 2 Revenue from Exchange Transactions**

###### **10. 2. 1 Service Charges**

Service charges relating to solid waste, electricity, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

###### **10. 2. 2 Pre-paid Electricity**

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

**MOHOKARE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**10. REVENUE RECOGNITION (continued)**

**10. 2. 3 Finance income**

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

**10. 2. 4 Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

**10. 2. 5 Income from Agency Services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

**10. 2. 6 Rentals**

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

**10. 2. 7 Dividends**

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

**10. 3 Revenue from Non-exchange Transactions**

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

**10. 3. 1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

**10. 3. 2 Fines**

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

**MOHOKARE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**10. REVENUE RECOGNITION (continued)**

**10. 3 Revenue from Non-exchange Transactions (continued)**

**10. 3. 3 Public contributions**

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

**10. 3. 4 Government Grants and receipts**

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

**Conditional Grants and receipts**

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

**10. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

**11. PROVISIONS**

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

**MOHOKARE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**11. PROVISIONS (Continued)**

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

**Provision for Restructuring cost**

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken;
  - when the plan will be implemented; and;
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

**Environmental rehabilitation provisions**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

**12. EMPLOYEE BENEFITS**

**12. 1 Short-term Employee Benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

**12. 2 Post employment benefits**

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

**12. 2. 1 Defined Contribution Plans**

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

**MOHOKARE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**12. EMPLOYEE BENEFITS (Continued)**

**12. 2. 1 Defined Contribution Plans**

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**12. 3 Defined Benefit Plans**

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

**12. 3. 1 Post-retirement Health Care Benefits:**

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the "*corridor method*". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

**12. 3. 2 Long-service Allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

**12. 3. 3 Provincially-administered Defined Benefit Plans**

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 47 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

**12. 3. 4 Defined benefit pension plans**

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

## **MOHOKARE LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2012**

#### **12. EMPLOYEE BENEFITS (Continued)**

##### **12. 3. 1 Defined benefit pension plans**

A liability will be recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. No such liability existed at 30 June 2012. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

#### **13. LEASES**

##### **Lease Classification**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

##### **13. 1 The Municipality as Lessee**

##### **Finance leases**

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

##### **Operating leases**

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## **MOHOKARE LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2012**

#### **13. LEASES (continued)**

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

##### **13. 2 Determining whether an arrangement contains a lease**

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

#### **14. VALUE ADDED TAX**

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

#### **15. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

#### **16. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

#### **17. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

#### **18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 35 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

**MOHOKARE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

**19. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**20. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

**21. COMPARATIVE INFORMATION**

**21. 1 Current year comparatives:**

Budgeted amounts have, in accordance with GRAP 1, been provided to these financial statements and forms part of the Annual Financial Statements.

**21. 2 Prior year comparatives**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

**21. 3 Budget Information**

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

**22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

**MOHOKARE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**23. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES**

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

**24. CAPITAL COMMITMENTS**

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are to be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

**25 BORROWING COSTS**

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2012 in accordance with the requirements of GRAP 5 and ASB Directive 4. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 2012<br>R                       | 2 011<br>R                                |                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------------------------------|-------------------------------|
| <b>1. GENERAL INFORMATION</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                 |                                           |                               |
| <p>Mohokare Local Municipality ("the municipality") is a local government institution in Zastron, Smithfield and Rouxville towns in the Xhariep district, Free State Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p> |                                 |                                           |                               |
| <b>2. INVENTORIES - CONSUMABLES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                 |                                           |                               |
| Maintenance Materials - at cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 246 950                         | 511 904                                   |                               |
| Spare Parts - at cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 365 638                         | -                                         |                               |
| Water - at cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 14 242                          | -                                         |                               |
| <b>Total Inventories</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>626 830</b>                  | <b>511 904</b>                            |                               |
| Consumable Inventory Expensed during the financial period                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 405 214                         |                                           |                               |
| <p><i>Inventory</i> has been restated to adhere to the recognition provisions for Water Inventory held by the municipality in terms of GRAP 12. Refer to Note 36.5 on "Change in Accounting Policy" for details of the restatement.</p>                                                                                                                                                                                                                                                                                                          |                                 |                                           |                               |
| <p>Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.</p>                                                                                                                                                                                                                                                                                                                                                                                                                  |                                 |                                           |                               |
| <p>The cost of water production for the year amounted to R3,51 per kilolitre (2011: R3,51 per kilolitre) in Zastron, R2,88 per kilolitre (2011: R2,88 per kilolitre) in Rouxville and R2,02 per kilolitre (R2,02 per kilolitre) in Smithfield.</p>                                                                                                                                                                                                                                                                                               |                                 |                                           |                               |
| <p>No Inventories have been pledged as collateral for Liabilities of the municipality.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                 |                                           |                               |
| <b>3. INVENTORIES - ERVEN HELD FOR TRANSFER</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                 |                                           |                               |
| Erven held for transfer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 4 215 670                       | 4 215 670                                 |                               |
| <b>Total INVENTORIES - ERVEN HELD FOR TRANSFER</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>4 215 670</b>                | <b>4 215 670</b>                          |                               |
| <b>Net INVENTORIES - ERVEN HELD FOR TRANSFER</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>4 215 670</b>                | <b>4 215 670</b>                          |                               |
| <b>3.1 Erven Held-for-Transfer</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                 |                                           |                               |
| <p>The municipality intends to dispose some of its erven through a transfer to owners in the next financial year. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2012.</p>                                                                                                                                                                                                                                                                                                                |                                 |                                           |                               |
| <b>4. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                 |                                           |                               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>Gross<br/>Balances<br/>R</b> | <b>Provision for<br/>Impairment<br/>R</b> | <b>Net<br/>Balances<br/>R</b> |
| <b>As at 30 June 2012</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                 |                                           |                               |
| Service Debtors:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 48 986 462                      | 48 145 079                                | 841 383                       |
| Electricity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 779 990                         | 509 594                                   | 270 396                       |
| Refuse                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 10 694 214                      | 10 628 594                                | 65 620                        |
| Sewerage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 13 902 941                      | 13 744 518                                | 158 423                       |
| Water                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 23 609 318                      | 23 262 374                                | 346 944                       |
| Other Receivables                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 18 555 120                      | 18 534 036                                | 21 084                        |
| Housing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 697 103                         | 680 371                                   | 16 732                        |
| Other Debtors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 17 858 017                      | 17 853 665                                | 4 352                         |
| <b>Total Receivables from Exchange Transactions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>67 541 582</b>               | <b>66 679 115</b>                         | <b>862 467</b>                |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                              | 2012<br>R              | 2 011<br>R                       |                      |
|----------------------------------------------|------------------------|----------------------------------|----------------------|
|                                              | Gross<br>Balances<br>R | Provision for<br>Impairment<br>R | Net<br>Balances<br>R |
| As at 30 June 2011                           |                        |                                  |                      |
| Service Debtors:                             | 30 719 519             | 29 718 861                       | 1 000 659            |
| Electricity                                  | 540 134                | 292 284                          | 247 850              |
| Refuse                                       | 6 526 921              | 6 366 169                        | 160 752              |
| Sewerage                                     | 8 350 623              | 8 144 954                        | 205 669              |
| Water                                        | 15 301 841             | 14 915 453                       | 386 388              |
| Other Receivables                            | 17 470 452             | 12 584 161                       | 4 886 291            |
| Housing                                      | 561 446                | 547 618                          | 13 828               |
| Other Debtors                                | 16 909 006             | 12 036 543                       | 4 872 463            |
| Total Receivables from Exchange Transactions | 48 189 971             | 42 303 022                       | 5 886 949            |

*Receivables from Exchange Transactions* have been restated to correctly classify amounts held for Assessment Rates Debtors, now included in Receivables from Non-exchange Transactions in terms of GRAP 104. Refer to Note 36.2 on "Change in Accounting Policy" for details of the restatement.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2012, the municipality is owed R1 756 710 (30 June 2011: R623 946) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratio's of the municipality's Receivables.

**4.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2012**

|                                | Current<br>0 - 30 days |                |               |                | Total          |
|--------------------------------|------------------------|----------------|---------------|----------------|----------------|
| <b>Electricity:</b>            |                        |                |               |                |                |
| Gross Balances                 | -                      | -              | -             | 779 990        | 779 990        |
| Less: Provision for Impairment | -                      | -              | -             | 509 594        | 509 594        |
| <b>Net Balances</b>            | -                      | -              | -             | <b>270 396</b> | <b>270 396</b> |
| <b>Refuse:</b>                 |                        |                |               |                |                |
| Gross Balances                 | 331 559                | 417 633        | 397 904       | 9 547 118      | 10 694 214     |
| Less: Provision for Impairment | 299 995                | 392 309        | 389 177       | 9 547 118      | 10 628 599     |
| <b>Net Balances</b>            | <b>31 564</b>          | <b>25 324</b>  | <b>8 727</b>  | -              | <b>65 615</b>  |
| <b>Sewerage:</b>               |                        |                |               |                |                |
| Gross Balances                 | 513 724                | 616 246        | 569 136       | 12 203 835     | 13 902 941     |
| Less: Provision for Impairment | 437 984                | 552 948        | 549 751       | 12 203 835     | 13 744 518     |
| <b>Net Balances</b>            | <b>75 740</b>          | <b>63 298</b>  | <b>19 385</b> | -              | <b>158 423</b> |
| <b>Water:</b>                  |                        |                |               |                |                |
| Gross Balances                 | 2 685 981              | 1 220 800      | 931 719       | 18 770 818     | 23 609 318     |
| Less: Provision for Impairment | 2 555 353              | 1 019 033      | 917 170       | 18 770 818     | 23 262 374     |
| <b>Net Balances</b>            | <b>130 628</b>         | <b>201 767</b> | <b>14 549</b> | -              | <b>346 944</b> |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                | 2012<br>R    |              |              | 2 011<br>R    |
|--------------------------------|--------------|--------------|--------------|---------------|
| <b>Other Receivables:</b>      |              |              |              |               |
| Gross Balances                 | 102 598      | 147 667      | 141 565      | 18 163 290    |
| Less: Provision for Impairment | 92 827       | 139 404      | 138 515      | 18 163 290    |
| <b>Net Balances</b>            | <b>9 771</b> | <b>8 263</b> | <b>3 050</b> | <b>21 084</b> |

As at 30 June 2012 Receivables of R614 759 were past due but not impaired. The age analysis of these Receivables are as follows:

|  |  |  | Total |
|--|--|--|-------|
|  |  |  |       |

|                                |                |               |                |                |
|--------------------------------|----------------|---------------|----------------|----------------|
| <b>All Receivables:</b>        |                |               |                |                |
| Gross Balances                 | 2 402 346      | 2 040 324     | 59 465 050     | 63 907 720     |
| Less: Provision for Impairment | 2 103 694      | 1 994 613     | 59 194 654     | 63 292 961     |
| <b>Net Balances</b>            | <b>298 652</b> | <b>45 711</b> | <b>270 396</b> | <b>614 759</b> |

As at 30 June 2011

| Current     |  |  |  | Total |
|-------------|--|--|--|-------|
| 0 - 30 days |  |  |  |       |

|                                |          |          |               |                |
|--------------------------------|----------|----------|---------------|----------------|
| <b>Electricity:</b>            |          |          |               |                |
| Gross Balances                 | -        | -        | 540 134       | 540 134        |
| Less: Provision for Impairment | -        | -        | 292 284       | 292 284        |
| <b>Net Balances</b>            | <b>-</b> | <b>-</b> | <b>14 575</b> | <b>247 850</b> |

|                                |                |          |          |                |
|--------------------------------|----------------|----------|----------|----------------|
| <b>Refuse:</b>                 |                |          |          |                |
| Gross Balances                 | 202 358        | 254 891  | 242 850  | 5 826 822      |
| Less: Provision for Impairment | 41 606         | 254 891  | 242 850  | 5 826 822      |
| <b>Net Balances</b>            | <b>160 752</b> | <b>-</b> | <b>-</b> | <b>160 752</b> |

|                                |                |               |          |                |
|--------------------------------|----------------|---------------|----------|----------------|
| <b>Sewerage:</b>               |                |               |          |                |
| Gross Balances                 | 308 562        | 370 140       | 341 844  | 7 330 077      |
| Less: Provision for Impairment | 169 966        | 303 067       | 341 844  | 7 330 077      |
| <b>Net Balances</b>            | <b>138 596</b> | <b>67 073</b> | <b>-</b> | <b>205 669</b> |

|                                |                |          |          |                |
|--------------------------------|----------------|----------|----------|----------------|
| <b>Water:</b>                  |                |          |          |                |
| Gross Balances                 | 1 740 857      | 791 234  | 603 872  | 12 165 878     |
| Less: Provision for Impairment | 1 354 470      | 791 234  | 603 872  | 12 165 878     |
| <b>Net Balances</b>            | <b>386 388</b> | <b>-</b> | <b>-</b> | <b>386 388</b> |

|                                |                |                |               |                  |
|--------------------------------|----------------|----------------|---------------|------------------|
| <b>Other Receivables:</b>      |                |                |               |                  |
| Gross Balances                 | 1 197 578      | 575 873        | 513 440       | 15 183 560       |
| Less: Provision for Impairment | 843 811        | 416 756        | 442 328       | 10 881 266       |
| <b>Net Balances</b>            | <b>353 767</b> | <b>159 116</b> | <b>71 113</b> | <b>4 302 294</b> |

As at 30 June Receivables of R4 847 447 were past due but not impaired. The age analysis of these Receivables are as follows:

|  |  |  | Total |
|--|--|--|-------|
|  |  |  |       |

|                                |                |               |                  |                  |
|--------------------------------|----------------|---------------|------------------|------------------|
| <b>All Receivables:</b>        |                |               |                  |                  |
| Gross Balances                 | 1 992 138      | 1 702 007     | 41 046 471       | 44 740 616       |
| Less: Provision for Impairment | 1 765 948      | 1 630 894     | 36 496 327       | 39 893 169       |
| <b>Net Balances</b>            | <b>226 189</b> | <b>71 113</b> | <b>4 550 145</b> | <b>4 847 447</b> |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                  | 2012       |                           | 2 011                                    |        |
|----------------------------------------------------------------------------------|------------|---------------------------|------------------------------------------|--------|
|                                                                                  | R          |                           | R                                        |        |
| 4.2 Summary of Receivables from Exchange Transactions by Customer Classification |            |                           |                                          |        |
|                                                                                  | Household  | Industrial/<br>Commercial | National and<br>Provincial<br>Government | Other  |
|                                                                                  | R          | R                         | R                                        | R      |
| As at 30 June 2012                                                               |            |                           |                                          |        |
| <u>Current:</u>                                                                  |            |                           |                                          |        |
| 0 - 30 days                                                                      | 3 525 925  | 53 406                    | 54 152                                   | 381    |
| <u>Past Due:</u>                                                                 |            |                           |                                          |        |
| 31 - 60 Days                                                                     | 2 266 418  | 74 238                    | 61 191                                   | 499    |
| 61 - 90 Days                                                                     | 1 947 923  | 53 702                    | 38 202                                   | 495    |
| + 90 Days                                                                        | 55 029 783 | 2 815 697                 | 1 603 165                                | 16 405 |
| Sub-total                                                                        | 62 770 048 | 2 997 043                 | 1 756 710                                | 17 780 |
| Less: Provision for Impairment                                                   | 62 002 584 | 2 937 387                 | 1 721 364                                | 17 780 |
| Total Trade Receivables by Customer Classification                               | 767 464    | 59 656                    | 35 346                                   | -      |
|                                                                                  | Household  | Industrial/<br>Commercial | National and<br>Provincial<br>Government | Other  |
|                                                                                  | R          | R                         | R                                        | R      |
| As at 30 June 2011                                                               |            |                           |                                          |        |
| <u>Current:</u>                                                                  |            |                           |                                          |        |
| 0 - 30 days                                                                      | 2 566 601  | 30 374                    | 8 143                                    | -      |
| <u>Past Due:</u>                                                                 |            |                           |                                          |        |
| 31 - 60 Days                                                                     | 1 566 945  | 31 012                    | 10 470                                   | -      |
| 61 - 90 Days                                                                     | 1 371 526  | 27 961                    | 9 670                                    | -      |
| + 90 Days                                                                        | 39 786 653 | 2 184 953                 | 595 663                                  | -      |
| Sub-total                                                                        | 45 291 725 | 2 274 300                 | 623 946                                  | -      |
| Less: Provision for Impairment                                                   | 40 416 540 | 2 022 658                 | -                                        | -      |
| Total Trade Receivables by Customer Classification                               | 4 875 185  | 251 642                   | 623 946                                  | -      |
|                                                                                  |            |                           | 2012                                     | 2011   |
|                                                                                  |            |                           | R                                        | R      |

**4.3 Reconciliation of the Provision for Impairment**

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Balance at beginning of year         | 42 303 022        | 37 650 446        |
| <i>All Consumer Debtors</i>          | 42 303 022        | 37 650 446        |
| Impairment Losses recognised         | 24 376 093        | 12 421 479        |
| <i>All Consumer Debtors</i>          | 24 376 093        | 12 421 479        |
| Amounts written off as uncollectable | -                 | (7 768 903)       |
| <i>All Consumer Debtors</i>          | -                 | (7 768 903)       |
| <b>Balance at end of year</b>        | <b>66 679 115</b> | <b>42 303 022</b> |

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, now included in Trade Receivables from Non-exchange Transactions, in terms of GRAP 104. Refer to Note 36.2 on "Change in Accounting Policy" for details of the restatement.

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

2012  
R

2 011  
R

**4.4 Ageing of impaired Receivables from Exchange Transactions**

Current:

0 - 30 Days

3 386 159

2 409 852

Past Due:

31 - 60 Days

2 103 694

1 765 948

61 - 90 Days

1 994 613

1 630 894

+ 90 Days

59 194 654

36 496 327

**Total**

**66 679 120**

**42 303 022**

**4.5 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

|                                                         | Gross<br>Balances<br>R | Provision for<br>Impairment<br>R | Net<br>Balances<br>R |
|---------------------------------------------------------|------------------------|----------------------------------|----------------------|
| <b>As at 30 June 2012</b>                               |                        |                                  |                      |
| Assessment Rates Debtors                                | 6 597 467              | 6 597 107                        | 360                  |
| <b>Total Receivables from Non-exchange Transactions</b> | <b>6 597 467</b>       | <b>6 597 107</b>                 | <b>360</b>           |

|                                                         | Gross<br>Balances<br>R | Provision for<br>Impairment<br>R | Net<br>Balances<br>R |
|---------------------------------------------------------|------------------------|----------------------------------|----------------------|
| <b>As at 30 June 2011</b>                               |                        |                                  |                      |
| Assessment Rates Debtors                                | 4 126 581              | -                                | 4 126 581            |
| <b>Total Receivables from Non-exchange Transactions</b> | <b>4 126 581</b>       | <b>-</b>                         | <b>4 126 581</b>     |

*Receivables from Non-exchange Transactions* have been restated to correctly classify amounts held for Assessment Rates Debtors in terms of GRAP 104, previously included in Receivables from Exchange Transactions. Refer to Note 36.2 on "Change in Accounting Policy" for details of the restatement.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

**5.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2012**

|                                | Current<br>0 - 30 days |            |            |           | Total      |
|--------------------------------|------------------------|------------|------------|-----------|------------|
| <b>Assessment Rates:</b>       |                        |            |            |           |            |
| Gross Balances                 | 3 131                  | 43 099     | 43 268     | 6 507 969 | 6 597 467  |
| Less: Provision for Impairment | 3 131                  | 42 919     | 43 088     | 6 507 969 | 6 597 107  |
| <b>Net Balances</b>            | <b>-</b>               | <b>180</b> | <b>180</b> | <b>-</b>  | <b>360</b> |

As at 30 June Receivables of R360 were past due but not impaired. The age analysis of these Receivables are as follows:

|                                |            |            |           | Total      |
|--------------------------------|------------|------------|-----------|------------|
| <b>All Receivables:</b>        |            |            |           |            |
| Gross Balances                 | 43 099     | 43 268     | 6 507 969 | 6 594 336  |
| Less: Provision for Impairment | 42 919     | 43 088     | 6 507 969 | 6 593 976  |
| <b>Net Balances</b>            | <b>180</b> | <b>180</b> | <b>-</b>  | <b>360</b> |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                           | 2012<br>R          | 2 011<br>R   |
|---------------------------|--------------------|--------------|
| <b>As at 30 June 2011</b> |                    |              |
|                           | <b>Current</b>     | <b>Total</b> |
|                           | <i>0 - 30 days</i> |              |

**Assessment Rates:**

|                                |               |               |               |                  |                  |
|--------------------------------|---------------|---------------|---------------|------------------|------------------|
| Gross Balances                 | 11 263        | 11 137        | 13 194        | 4 090 987        | 4 126 581        |
| Less: Provision for Impairment | -             | -             | -             | -                | -                |
| <b>Net Balances</b>            | <b>11 263</b> | <b>11 137</b> | <b>13 194</b> | <b>4 090 987</b> | <b>4 126 581</b> |

As at 30 June Receivables of R4 115 318 were past due but not impaired. The age analysis of these Receivables are as follows:

|                                |               |               |                  |                  |
|--------------------------------|---------------|---------------|------------------|------------------|
|                                |               |               |                  | Total            |
|                                |               |               |                  |                  |
| <b>All Receivables:</b>        |               |               |                  |                  |
| Gross Balances                 | 11 137        | 13 194        | 4 090 987        | 4 115 318        |
| Less: Provision for Impairment | -             | -             | -                | -                |
| <b>Net Balances</b>            | <b>11 137</b> | <b>13 194</b> | <b>4 090 987</b> | <b>4 115 318</b> |

**5.2 Summary of Assessment Rates Debtors by Customer Classification**

|                                                       |                  |
|-------------------------------------------------------|------------------|
|                                                       | <b>Household</b> |
|                                                       | <b>R</b>         |
| <b>As at 30 June 2012</b>                             |                  |
| <u>Current:</u>                                       |                  |
| 0 - 30 days                                           | 3 131            |
| <u>Past Due:</u>                                      |                  |
| 31 - 60 Days                                          | 43 099           |
| 61 - 90 Days                                          | 43 268           |
| + 90 Days                                             | 6 507 969        |
| Sub-total                                             | 6 597 467        |
| Less: Provision for Impairment                        | 6 597 107        |
| <b>Total Rates Debtors by Customer Classification</b> | <b>360</b>       |

|                                                       |                  |
|-------------------------------------------------------|------------------|
|                                                       | <b>Household</b> |
|                                                       | <b>R</b>         |
| <b>As at 30 June 2011</b>                             |                  |
| <u>Current:</u>                                       |                  |
| 0 - 30 days                                           | 11 263           |
| <u>Past Due:</u>                                      |                  |
| 31 - 60 Days                                          | 11 137           |
| 61 - 90 Days                                          | 13 194           |
| + 90 Days                                             | 4 090 987        |
| Sub-total                                             | 4 126 581        |
| Less: Provision for Impairment                        | -                |
| <b>Total Rates Debtors by Customer Classification</b> | <b>4 126 581</b> |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                       | 2012<br>R        | 2 011<br>R |
|-------------------------------------------------------|------------------|------------|
| <b>5.3 Reconciliation of Provision for Impairment</b> |                  |            |
| Balance at beginning of year                          | -                | -          |
| <i>Other Debtors</i>                                  | -                | -          |
| <i>Assessment Rates Debtors</i>                       | -                | -          |
| Impairment Losses recognized                          | 6 597 107        | -          |
| <i>Other Debtors</i>                                  | 6 597 107        | -          |
| <i>Assessment Rates Debtors</i>                       | -                | -          |
| <b>Balance at end of year</b>                         | <b>6 597 107</b> | <b>-</b>   |

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, previously included in Receivables from Exchange Transactions, in terms of GRAP 104. Refer to Note 36.2 on "Change in Accounting Policy" for details of the restatement.

**6. VAT RECEIVABLE / (PAYABLE)**

|                            |                   |                   |
|----------------------------|-------------------|-------------------|
| Vat Payable.               | (6 673 414)       | (2 428 492)       |
| Vat Receivable.            | 19 041 082        | 17 611 756        |
| Vat Receivable / (Payable) | <b>12 367 668</b> | <b>15 183 263</b> |

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**7. CASH AND CASH EQUIVALENTS**

|                                              |                    |                    |
|----------------------------------------------|--------------------|--------------------|
| Current Investments                          | 271 207            | 299 229            |
| Bank Accounts                                | 16 209             | 212 465            |
| Bank Overdraft                               | (3 915 357)        | (2 065 666)        |
| Cash and Cash Equivalents                    | 1 180              | 1 180              |
| <b>Total Bank, Cash and Cash Equivalents</b> | <b>(3 626 762)</b> | <b>(1 552 792)</b> |

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

**7.1 Current Investment Deposits**

|                                                                       |                |                |
|-----------------------------------------------------------------------|----------------|----------------|
| Call Deposits                                                         | 271 207        | 299 229        |
| Deposits available for Operations                                     | 271 207        | 299 229        |
| <b>Total Deposits attributable to Commitments of the Municipality</b> | <b>271 207</b> | <b>299 229</b> |

**7.2 Bank Accounts**

|                            |                    |                    |
|----------------------------|--------------------|--------------------|
| Cash in Bank               | 16 209             | 212 465            |
| Bank Overdraft             | (3 915 357)        | (2 065 666)        |
| <b>Total Bank Accounts</b> | <b>(3 899 148)</b> | <b>(1 853 201)</b> |

The Municipality has the following bank accounts:

**Primary Bank Account**

*ABSA Bank - Zastron Branch, Zastron - ChequeAccount Number 4052654487:*

|                                             |             |             |
|---------------------------------------------|-------------|-------------|
| Cash book balance at beginning of year      | (2 065 666) | (1 494 654) |
| Cash book balance at end of year            | (3 915 357) | (2 065 666) |
| Bank statement balance at beginning of year | 193 464     | 358 584     |
| Bank statement balance at end of year       | 610 138     | 193 464     |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                          | 2012<br>R | 2 011<br>R |
|------------------------------------------------------------------------------------------|-----------|------------|
| <b>Other Bank Accounts</b>                                                               |           |            |
| <i>ABSA Bank - Zastron Branch, Zastron - Savings Account Number 2810000018:</i>          |           |            |
| Cash book balance at beginning of year                                                   | 18 052    | 91 780     |
| Cash book balance at end of year                                                         | 730       | 18 052     |
| Bank statement balance at beginning of year                                              | 18 052    | 69 518     |
| Bank statement balance at end of year                                                    | 730       | 18 052     |
| <i>Standard Bank - Zastron Branch, Zastron - ChequeAccount Number 041952766:</i>         |           |            |
| Cash book balance at beginning of year                                                   | 107 085   | 70 926     |
| Cash book balance at end of year                                                         | 8 711     | 107 085    |
| Bank statement balance at beginning of year                                              | 107 085   | 69 518     |
| Bank statement balance at end of year                                                    | 8 711     | 107 085    |
| <i>First National Bank - Zastron Branch, Zastron - ChequeAccount Number 53593549308:</i> |           |            |
| Cash book balance at beginning of year                                                   | 87 328    | 69 809     |
| Cash book balance at end of year                                                         | 6 768     | 87 328     |
| Bank statement balance at beginning of year                                              | 87 327    | 69 809     |
| Bank statement balance at end of year                                                    | 6 768     | 87 327     |

An amount of R12 086 909 (2011: R12 487 503) is attributable to Unspent Conditional Grants.

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**7.3 Cash and Cash Equivalents**

|                                                                    |              |              |
|--------------------------------------------------------------------|--------------|--------------|
| Cash Floats and Advances                                           | 1 180        | 1 180        |
| <b>Total Cash on hand in Cash Floats, Advances and Equivalents</b> | <b>1 180</b> | <b>1 180</b> |

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**8 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2012**

**Reconciliation of Carrying Value**

| Description                             | Land and Buildings | Infra-structure    | Community         | Other            | Leased Assets  | Total              |
|-----------------------------------------|--------------------|--------------------|-------------------|------------------|----------------|--------------------|
|                                         | R                  | R                  | R                 | R                | R              | R                  |
| <b>Carrying values at 01 July 2011</b>  | <b>19 276 022</b>  | <b>224 654 872</b> | <b>59 928 332</b> | <b>4 927 211</b> | <b>666 482</b> | <b>309 452 919</b> |
| Cost                                    | 43 055 128         | 481 745 721        | 125 090 596       | 6 734 182        | 1 291 611      | 657 917 239        |
| - Completed Assets                      | 43 055 128         | 451 673 665        | 125 090 596       | 6 734 182        | 1 291 611      | 627 845 183        |
| - Under Construction                    | -                  | 30 072 056         | -                 | -                | -              | 30 072 056         |
| Accumulated Depreciation:               | (23 779 106)       | (257 090 849)      | (65 162 264)      | (1 806 971)      | (625 129)      | (348 464 320)      |
| - Cost                                  | (23 779 106)       | (257 090 849)      | (65 162 264)      | (1 806 971)      | (625 129)      | (348 464 320)      |
| Acquisitions                            | -                  | -                  | -                 | -                | -              | -                  |
| Capital under Construction - Additions: | -                  | 20 098 952         | -                 | -                | -              | 20 098 952         |
| - Cost                                  | -                  | 20 098 952         | -                 | -                | -              | 20 098 952         |
| Depreciation:                           | (1 007 344)        | (15 111 731)       | (3 939 669)       | (829 247)        | (327 445)      | (21 215 435)       |
| - Based on Cost                         | (1 007 344)        | (15 111 731)       | (3 939 669)       | (829 247)        | (327 445)      | (21 215 435)       |
| Carrying value of Disposals:            | (131 104)          | -                  | -                 | -                | -              | (131 104)          |
| - Cost                                  | (230 376)          | -                  | -                 | -                | -              | (230 376)          |
| - Accumulated Depreciation              | 99 272             | -                  | -                 | -                | -              | 99 272             |
| - Based on Cost                         | 99 272             | -                  | -                 | -                | -              | 99 272             |
| Impairment Losses                       | (137 214)          | -                  | -                 | (16 781)         | -              | (153 995)          |
| <b>Carrying values at 30 June 2012</b>  | <b>18 000 361</b>  | <b>229 642 092</b> | <b>55 988 663</b> | <b>4 081 183</b> | <b>339 037</b> | <b>308 051 336</b> |
| Cost                                    | 42 824 752         | 501 844 673        | 125 090 596       | 6 734 182        | 1 291 611      | 677 785 814        |
| - Completed Assets                      | 42 824 752         | 451 673 665        | 125 090 596       | 6 734 182        | 1 291 611      | 627 614 807        |
| - Under Construction                    | -                  | 50 171 007         | -                 | -                | -              | 50 171 007         |
| Accumulated Impairment Losses           | (137 214)          | -                  | -                 | (16 781)         | -              | (153 995)          |
| Accumulated Depreciation:               | (24 687 178)       | (272 202 581)      | (69 101 933)      | (2 636 218)      | (952 574)      | (369 580 483)      |
| - Cost                                  | (24 687 178)       | (272 202 581)      | (69 101 933)      | (2 636 218)      | (952 574)      | (369 580 483)      |

**30 June 2011**

**Reconciliation of Carrying Value**

| Description                             | Land and Buildings | Infra-structure    | Community         | Other            | Leased Assets  | Total              |
|-----------------------------------------|--------------------|--------------------|-------------------|------------------|----------------|--------------------|
|                                         | R                  | R                  | R                 | R                | R              | R                  |
| <b>Carrying values at 01 July 2010</b>  | <b>13 786 854</b>  | <b>216 281 706</b> | <b>63 868 001</b> | <b>6 360 676</b> | <b>993 927</b> | <b>301 291 163</b> |
| Cost                                    | 36 555 128         | 458 265 494        | 125 090 596       | 7 474 490        | 1 291 611      | 628 677 320        |
| - Completed Assets                      | 36 555 128         | 445 941 496        | 125 090 596       | 7 474 490        | 1 291 611      | 616 353 322        |
| - Under Construction                    | -                  | 12 323 998         | -                 | -                | -              | 12 323 998         |
| Accumulated Depreciation:               | (22 768 275)       | (241 983 788)      | (61 222 596)      | (1 113 814)      | (297 684)      | (327 386 157)      |
| - Cost                                  | (22 768 275)       | (241 983 788)      | (61 222 596)      | (1 113 814)      | (297 684)      | (327 386 157)      |
| Acquisitions                            | 6 500 000          | 5 732 169          | -                 | -                | -              | 12 232 169         |
| Capital under Construction - Additions: | -                  | 17 748 058         | -                 | -                | -              | 17 748 058         |
| - Cost                                  | -                  | 17 748 058         | -                 | -                | -              | 17 748 058         |
| Additions                               | -                  | 18 655 483         | -                 | -                | -              | 18 655 483         |
| Transfer in                             | -                  | (907 425)          | -                 | -                | -              | (907 425)          |
| Depreciation:                           | (1 010 831)        | (15 107 061)       | (3 939 669)       | (693 157)        | (327 445)      | (21 078 163)       |
| - Based on Cost                         | (1 010 831)        | (15 107 061)       | (3 939 669)       | (693 157)        | (327 445)      | (21 078 163)       |
| Carrying value of Disposals:            | -                  | -                  | -                 | (740 308)        | -              | (740 308)          |
| - Cost                                  | -                  | -                  | -                 | (740 308)        | -              | (740 308)          |
| <b>Carrying values at 30 June 2011</b>  | <b>19 276 022</b>  | <b>224 654 872</b> | <b>59 928 332</b> | <b>4 927 211</b> | <b>666 482</b> | <b>309 452 919</b> |
| Cost                                    | 43 055 128         | 481 745 721        | 125 090 596       | 6 734 182        | 1 291 611      | 657 917 239        |
| - Completed Assets                      | 43 055 128         | 451 673 665        | 125 090 596       | 6 734 182        | 1 291 611      | 627 845 183        |
| - Under Construction                    | -                  | 30 072 056         | -                 | -                | -              | 30 072 056         |
| Accumulated Depreciation:               | (23 779 106)       | (257 090 849)      | (65 162 264)      | (1 806 971)      | (625 129)      | (348 464 320)      |
| - Cost                                  | (23 779 106)       | (257 090 849)      | (65 162 264)      | (1 806 971)      | (625 129)      | (348 464 320)      |

The municipality has identified and measured all Property, Plant and Equipment in terms of GRAP 17 for the financial year ended 30 June 2012. The balances of the Property, Plant and Equipment have accordingly been restated retrospectively.

Furthermore, *Property, Plant and Equipment* has been restated to correctly disclose the properties held in terms of GRAP 16. Refer to Note 37.1 on "Correction of Error" for details of the restatement.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                                                                                                                                                          | 2012<br>R      | 2011<br>R      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>8 PROPERTY, PLANT AND EQUIPMENT (Continued)</b>                                                                                                                                                                       |                |                |
| <b>8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</b>                                                                                                             |                |                |
| There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.                                                                                                   |                |                |
| <b>8.2 Carrying Amount of Property, Plant and Equipment held for disposal/Transfer</b>                                                                                                                                   |                |                |
| No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.                                                                                                           |                |                |
| <b>8.3 Assets pledged as security</b>                                                                                                                                                                                    |                |                |
| The municipality did not pledge any of its assets as security.                                                                                                                                                           |                |                |
| <b>8.4 Impairment of Property, Plant and Equipment</b>                                                                                                                                                                   |                |                |
| The amount of R153 995 (2011: R0) disclosed for impairment losses on Property, Plant and Equipment is in respect of buildings and its content that were damaged during riots.                                            |                |                |
| Land and Buildings                                                                                                                                                                                                       | 137 214        | -              |
| Other Assets: Office Equipment                                                                                                                                                                                           | 16 781         | -              |
| <b>Total Impairment of Property, Plant and Equipment</b>                                                                                                                                                                 | <b>153 995</b> | <b>-</b>       |
| Impairment losses on Property, Plant and Equipment exist predominantly due to an impaired item of Property, Plant and Equipment that has been physically damaged and has become redundant and idle.                      |                |                |
| <b>9 INTANGIBLE ASSETS</b>                                                                                                                                                                                               |                |                |
| At Cost less Accumulated Amortisation and Accumulated Impairment Losses                                                                                                                                                  | <b>534 123</b> | <b>534 123</b> |
| The movement in Intangible Assets is reconciled as follows:                                                                                                                                                              |                |                |
|                                                                                                                                                                                                                          |                | <b>Total</b>   |
| <b>Carrying values at 01 July 2011</b>                                                                                                                                                                                   |                | <b>534 123</b> |
| Cost                                                                                                                                                                                                                     |                | 534 123        |
| Accumulated Amortisation                                                                                                                                                                                                 |                | -              |
| <b>Carrying values at 30 June 2012</b>                                                                                                                                                                                   |                | <b>534 123</b> |
| Cost                                                                                                                                                                                                                     |                | 534 123        |
| Accumulated Amortisation                                                                                                                                                                                                 |                | -              |
|                                                                                                                                                                                                                          |                | <b>Total</b>   |
| <b>Carrying values at 01 July 2010</b>                                                                                                                                                                                   |                | <b>534 123</b> |
| Cost                                                                                                                                                                                                                     |                | 534 123        |
| Accumulated Amortisation                                                                                                                                                                                                 |                | -              |
| <b>Carrying values at 30 June 2011</b>                                                                                                                                                                                   |                | <b>534 123</b> |
| Cost                                                                                                                                                                                                                     |                | 534 123        |
| Accumulated Amortisation                                                                                                                                                                                                 |                | -              |
|                                                                                                                                                                                                                          | -534 123.09    |                |
| The municipality has identified and measured all Intangible Assets in terms of GRAP 102 for the financial year ended 30 June 2012. The balances of the Intangible Assets have accordingly been restated retrospectively. |                |                |
| All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.                                             |                |                |
| No restrictions apply to any of the Intangible Assets of the municipality.                                                                                                                                               |                |                |
| Refer to Appendix "B" for more detail on Intangible Assets.                                                                                                                                                              |                |                |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                                                      | 2012<br>R      | 2011<br>R      |
|----------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                      | 2012<br>R      | 2011<br>R      |
| <b>9.1 Intangible Assets with Indefinite Useful Lives</b>                                                            |                |                |
| The following classes of Intangible Assets are not amortised as they are regarded as having indefinite useful lives: |                |                |
| Carrying Value of Servitudes: Electricity Distribution                                                               | 101 143        | 101 143        |
| Carrying Value of Servitudes: Sewerage Distribution                                                                  | 72 221         | 72 221         |
| Carrying Value of Servitudes: Water Reticulation                                                                     | 360 760        | 360 760        |
| <b>Total Carrying Amount of Intangible Assets with Indefinite Useful Lives</b>                                       | <b>534 124</b> | <b>534 124</b> |

**Servitudes** are regarded as having Indefinite Useful Lives as they are registered permanently, the agreements not having a maturing date.

**9.2 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

**10 INVESTMENT PROPERTY**

The movement in Investment Property is reconciled as follows:

|                                                               |                   |                   |
|---------------------------------------------------------------|-------------------|-------------------|
| <b>Carrying values at 1 July</b>                              | <b>20 519 205</b> | <b>18 739 000</b> |
| Fair Value                                                    | 20 519 205        | 18 739 000        |
| Net Gains / (Losses) from Fair Value Adjustments              | -                 | 1 780 205         |
| <b>Carrying values at 30 June</b>                             | <b>20 519 205</b> | <b>20 519 205</b> |
| Fair Value                                                    | 20 519 205        | 20 519 205        |
| <b>Estimated Fair Value of Investment Property at 30 June</b> | <b>20 519 205</b> | <b>20 519 205</b> |

The municipality has identified and measured all Investment Property in terms of GRAP 16 for the financial year ended 30 June 2012. The balances of the Investment Property have been accordingly restated retrospectively. In 2010/11 the following classes of assets were not recognised/measured in accordance with GRAP 16:

- Land;
- Buildings.

*Investment Property* has been restated to correctly disclose the properties held as Investment Property in terms of GRAP 16. Refer to Note 37 on "Correction of Error" for details of the restatement.

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

|                                                                 |         |         |
|-----------------------------------------------------------------|---------|---------|
| Rental Revenue earned from Investment Property                  | 663 136 | 656 777 |
| Direct Operating Expenses - incurred to generate rental revenue | -       | -       |

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

**10.1 Investment Property carried at Fair Value**

The following assumptions were used:

|               |       |       |
|---------------|-------|-------|
| Discount Rate | 9.50% | 9.50% |
|---------------|-------|-------|

**10.2 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                         | 2012<br>R      | 2011<br>R      |
|-------------------------------------------------------------------------|----------------|----------------|
| <b>11 BIOLOGICAL ASSETS</b>                                             |                |                |
| At Cost less Accumulated Amortisation and Accumulated Impairment Losses | <b>430 680</b> | <b>585 000</b> |

The movement in Biological Assets is reconciled as follows:

|                                            | Cattle         | Horses        | Total          |
|--------------------------------------------|----------------|---------------|----------------|
| <b>Carrying values at 01 July 2011</b>     | <b>573 300</b> | <b>11 700</b> | <b>585 000</b> |
| Fair Value                                 | 573 300        | 11 700        | 585 000        |
| Acquisitions during the Year (Calves born) | 115 500        | -             | 115 500        |
| Gains from Changes in Fair Value           | -              | 270           | 270            |
| Losses during the Year                     | (109 350)      | (3 990)       | (113 340)      |
| Decreases due to consumption               | (92 250)       | -             | (92 250)       |
| Losses from Changes in Fair Value          | (64 500)       | -             | (64 500)       |
| <b>Carrying values at 30 June 2012</b>     | <b>422 700</b> | <b>7 710</b>  | <b>430 410</b> |
| Cost                                       | 422 700        | 7 710         | 430 410        |
|                                            | Cattle         | Horses        | Total          |
| <b>Carrying values at 01 July 2010</b>     | <b>553 602</b> | <b>11 298</b> | <b>564 900</b> |
| Fair Value                                 | 553 602        | 11 298        | 564 900        |
| Gains from Changes in Fair Value           | 19 698         | 402           | 20 100         |
| <b>Carrying values at 30 June 2011</b>     | <b>573 300</b> | <b>11 700</b> | <b>585 000</b> |
| Fair Value                                 | 573 300        | 11 700        | 585 000        |

All of the municipality's Biological Assets are held under freehold interests and no Biological Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Biological Assets of the municipality.

Refer to Appendix "B" for more detail on Biological Assets.

**11.1 Biological Assets carried at Fair Value**

The municipality's Biological Assets is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar assets.

**The following assumptions were used:**

Rand per kg on the open market  
The average weight of cattle per class

**11.2 Non-financial Information**

Quantities of each Biological Asset:

|        |    |     |
|--------|----|-----|
| Cattle | 85 | 108 |
| Horses | 6  | 9   |

**12 NON-CURRENT INVESTMENTS**

**Unlisted**

|                       |                |               |
|-----------------------|----------------|---------------|
| Local Authority Stock | 112 660        | 95 826        |
|                       | <b>112 660</b> | <b>95 826</b> |

**Total Investments**

|                 |         |        |
|-----------------|---------|--------|
| All Investments | 112 660 | 95 826 |
|-----------------|---------|--------|

**Total Non-current Investments**

|                |               |
|----------------|---------------|
| <b>112 660</b> | <b>95 826</b> |
|----------------|---------------|

**Council's valuation of Unlisted Investments**

|                       |                |               |
|-----------------------|----------------|---------------|
| Local Authority Stock | 112 660        | 95 826        |
|                       | <b>112 660</b> | <b>95 826</b> |

Unlisted Investments comprise the following:

Local Authority Stock are shares held in OVK Operations Limited. 10 354 Ordinary Shares valued at R6.98 (2011: R4.40) per share and 9 948 Holding Shares valued at R4.06 (2011: R3.30) per share

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                | 2012<br>R      | 2011<br>R      |
|--------------------------------|----------------|----------------|
| <b>13 CONSUMER DEPOSITS</b>    |                |                |
| Electricity and Water          | 164 402        | 163 971        |
| <b>Total Consumer Deposits</b> | <b>164 402</b> | <b>163 971</b> |

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

**14 PROVISIONS**

Current Portion of Non-Current Provisions (See Note 18):  
Rehabilitation of Land-fill Sites

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
|                         | -                 | -                 |
|                         | -                 | -                 |
| <b>Total Provisions</b> | <b>-</b>          | <b>-</b>          |
|                         | <b>2012<br/>R</b> | <b>2011<br/>R</b> |

**15 PAYABLES**

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| Trade Creditors              | 8 502 473         | 14 117 074        |
| Payments received in Advance | 586 245           | 239 711           |
| Staff Bonuses                | 834 728           | 689 433           |
| Long Service Bonus Accrual   | 135 461           | -                 |
| Staff Leave Accrued          | 2 147 944         | 2 147 944         |
| Staff Salaries               | 2 719 737         | 1 402 051         |
| Unknown Deposits             | 1 041 707         | 236 574           |
| Other Creditors              | 100 571           | 76 648            |
| <b>Total Creditors</b>       | <b>16 068 867</b> | <b>18 909 436</b> |

**Staff Leave** accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

**16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**16.1 Conditional Grants from Government**

National Government Grants

|                                              |                   |                   |
|----------------------------------------------|-------------------|-------------------|
|                                              | <b>12 080 659</b> | <b>12 487 503</b> |
|                                              | 12 080 659        | 12 487 503        |
| <b>Total Conditional Grants and Receipts</b> | <b>12 080 659</b> | <b>12 487 503</b> |

See Note 21 for the reconciliation of Grants from Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                     | 2012<br>R         | 2011<br>R        |
|---------------------------------------------------------------------|-------------------|------------------|
| <b>17 LONG-TERM LIABILITIES</b>                                     |                   |                  |
| Finance Lease Liabilities                                           | 650 326           | 1 108 599        |
| Government Loans                                                    | 1 411 710         | 1 728 451        |
| Other Loans (Centlec Capital Loans)                                 | 1 214 262         | 1 337 755        |
| Centlec Payable                                                     | 10 434 795        | 6 198 905        |
| Sub-total                                                           | 13 711 093        | 10 373 709       |
| Less: Current Portion transferred to Current Liabilities:-          | 497 144           | 761 711          |
| Finance Lease Liabilities                                           | 313 217           | 458 273          |
| Government Loans                                                    | 183 927           | 303 438          |
| Other Loans                                                         | -                 | -                |
| <b>Total Long-term Liabilities</b> (Neither past due, nor impaired) | <b>13 213 949</b> | <b>9 611 998</b> |

**17.1 Summary of Arrangements**

Finance Lease Liabilities relates to IT Equipment with lease terms of 3 years. The effective interest rate on Finance Leases is between 8% and 11% (2011: 8% to 11%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

Other Loans are repaid over a period of 20 years and at an interest rate of 10% annum. Other Loans are secured over assets used to produce electricity.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**17.2 Obligations under Finance Lease Liabilities**

**The Municipality as Lessee:**

Finance Leases relate to IT Equipment with lease terms not more than 5 years (2011: 5 years). The effective interest rate on Finance Leases is between 8% and 11% (2011: 8% and 11%).

The risks and rewards of ownership in respect of the IT Equipment will transfer to the municipality at the conclusion of the agreement. The total lease liability of the mayor's car confine a material amount of the fair value of the vehicle.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

|                                                                                           | <b>Minimum Lease Payments</b> |                  | <b>Present Value of Minimum Lease Payments</b> |                  |
|-------------------------------------------------------------------------------------------|-------------------------------|------------------|------------------------------------------------|------------------|
|                                                                                           | 2012<br>R                     | 2011<br>R        | 2012<br>R                                      | 2011<br>R        |
| <b>Amounts payable under finance leases:</b>                                              |                               |                  |                                                |                  |
| Within one year                                                                           | 351 377                       | 528 386          | 351 377                                        | 528 386          |
| In the second to fifth years, inclusive                                                   | 352 831                       | 704 208          | 352 831                                        | 704 208          |
| Over five years                                                                           | -                             | -                | -                                              | -                |
|                                                                                           | 704 208                       | 1 232 594        | 704 208                                        | 1 232 594        |
| Less: Future Finance Obligations                                                          | 53 882                        | 123 995          | 53 882                                         | 123 995          |
| <b>Present Value of Minimum Lease Obligations</b>                                         | <b>650 326</b>                | <b>1 108 599</b> | <b>650 326</b>                                 | <b>1 108 599</b> |
| Less: Amounts due for settlement within 12 months (Current Portion)                       |                               |                  | (313 217)                                      | (458 273)        |
| <b>Finance Lease Obligations due for settlement after 12 months (Non-current Portion)</b> |                               |                  | <b>337 109</b>                                 | <b>650 326</b>   |

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                 | 2012<br>R   | 2011<br>R   |
|-----------------------------------------------------------------|-------------|-------------|
| Included in these classes are the following significant leases: |             |             |
| (i) Gestetner (IT Equipment)                                    |             |             |
| - Installments are payable monthly in advance                   |             |             |
| - Average period outstanding                                    | 36 months   | 36 months   |
| - Average effective interest rate                               | 9.43%       | 9.43%       |
| - Average monthly installment                                   | R 16 850.00 | R 16 850.00 |
| (ii) Sharp (IT Equipment)                                       |             |             |
| - Installments are payable monthly in advance                   |             |             |
| - Average period outstanding                                    | 60 months   | 60 months   |
| - Average effective interest rate, based on prime               | 9.43%       | 9.43%       |
| - Average monthly installment                                   | R 16 811.00 | R 16 811.00 |

|             |             |
|-------------|-------------|
| <b>2012</b> | <b>2011</b> |
| <b>R</b>    | <b>R</b>    |

**18 NON-CURRENT PROVISIONS**

|                                                 |                   |                   |
|-------------------------------------------------|-------------------|-------------------|
| Provision for Rehabilitation of Land-fill Sites | 17 049 945        | 15 563 009        |
| <b>Total Non-current Provisions</b>             | <b>17 049 945</b> | <b>15 563 009</b> |

The movement in Non-current Provisions are reconciled as follows:

|                                |                         |
|--------------------------------|-------------------------|
|                                | <b>Land-fill Sites</b>  |
|                                | <b>R</b>                |
| <b>30 June 2012</b>            |                         |
| Balance at beginning of year   | 15 563 009              |
| Increase due to discounting    | 1 486 936               |
|                                | <hr/> 17 049 945        |
| Transfer to current provisions | -                       |
| <b>Balance at end of year</b>  | <hr/> <b>17 049 945</b> |
|                                | <b>Land-fill Sites</b>  |
|                                | <b>R</b>                |
| <b>30 June 2011</b>            |                         |
| Balance at beginning of year   | 14 205 749              |
| Increase due to discounting    | 1 357 260               |
|                                | <hr/> 15 563 009        |
| Transfer to current provisions | -                       |
| <b>Balance at end of year</b>  | <hr/> <b>15 563 009</b> |

**18.1 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R17 million to restore the site at the end of its useful life, estimated to be in 2015. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                       | 2012<br>R          | 2011<br>R          |
|---------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>19 ACCUMULATED SURPLUS</b>                                                         |                    |                    |
| <b>The Accumulated Surplus consists of the following Internal Funds and Reserves:</b> |                    |                    |
| Accumulated Surplus / (Deficit) due to the results of Operations                      | 286 177 333        | 303 217 865        |
| <b>Total Accumulated Surplus</b>                                                      | <b>286 177 333</b> | <b>303 217 865</b> |

*Accumulated Surplus* has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 36.1 "Change in Accounting Policy" for details of the restatements.

Reclassification of Assets - Note 37.1  
Restatement of Creditors Balances - Note 37  
Recognition of Inventory - Note 36.5  
Reclassification of Receivables from Non-exchange Transactions for Services Rendered - Note 36.2  
Reclassification of Unspent Conditional Grants - Note 37.2  
Reclassification of Provision for Landfill Sites - Note 37.5

Furthermore, *Accumulated Surplus* has been restated to correctly classify amounts held for Unspent Conditional Grants and Receipts. Refer to Note 37.2 on "Correction of Error" for details of the restatement.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**20 PROPERTY RATES**

|                             | Property Valuations |                     | Actual Levies    |                  |
|-----------------------------|---------------------|---------------------|------------------|------------------|
|                             | July 2012<br>R000's | July 2011<br>R000's |                  |                  |
| Residential                 | 299 182             | 299 182             | 3 766 621        | 2 673 458        |
| Commercial                  | 58 595              | 58 595              | 411 281          | 394 657          |
| Agricultural                | 2 307 525           | 2 307 525           | 2 978 961        | 2 712 828        |
| State                       | 204 314             | 204 314             | 74 352           | 281 964          |
| <b>Total Property Rates</b> | <b>2 869 615</b>    | <b>2 869 615</b>    | <b>7 231 215</b> | <b>6 062 907</b> |

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,5700 c/R (2010/11: 0,5700 c/R)  
Commercial Properties: 0,7722 c/R (2010/11: 0,7722 c/R)  
State Properties: 0,2695 c/R (2010/11: 0,2695 c/R)  
Agricultural Properties: 0,1231 c/R (2010/11: 0,1231 c/R)

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                                                                                                                                                                                                                                  | 2012<br>R         | 2011<br>R         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                                                                                                                                                                                                                                  | 2012<br>R         | 2011<br>R         |
| <b>21 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED</b>                                                                                                                                                                                                                                               |                   |                   |
| National Equitable Share                                                                                                                                                                                                                                                                         | 45 632 000        | 40 862 000        |
| <b>Operational Grants</b>                                                                                                                                                                                                                                                                        | 45 632 000        | 40 862 000        |
| <b>Conditional / Unconditional Grants</b>                                                                                                                                                                                                                                                        | 29 318 200        | 27 126 886        |
| National: FMG                                                                                                                                                                                                                                                                                    | 1 500 000         | 1 250 000         |
| National: MIG                                                                                                                                                                                                                                                                                    | 15 532 000        | 12 913 000        |
| National: MSIG                                                                                                                                                                                                                                                                                   | 790 000           | 750 000           |
| National: DWAF                                                                                                                                                                                                                                                                                   | 8 094 000         | 2 193 676         |
| National: INEPG                                                                                                                                                                                                                                                                                  | 627 000           | -                 |
| GOGTA Grant                                                                                                                                                                                                                                                                                      | 2 775 200         | 10 020 210        |
| <b>Total Government Grants and Subsidies</b>                                                                                                                                                                                                                                                     | <b>74 950 200</b> | <b>67 988 886</b> |
| <b>Government Grants and Subsidies:</b>                                                                                                                                                                                                                                                          |                   |                   |
| Conditional Grants - Capital                                                                                                                                                                                                                                                                     | 15 532 000        | 12 913 000        |
| Conditional Grants - Operational                                                                                                                                                                                                                                                                 | -                 | -                 |
| Unconditional Grants - Capital                                                                                                                                                                                                                                                                   | 8 721 000         | 2 193 676         |
| Unconditional Grants - Operational                                                                                                                                                                                                                                                               | 50 697 200        | 52 882 210        |
| <b>Total Government Grants and Subsidies</b>                                                                                                                                                                                                                                                     | <b>74 950 200</b> | <b>67 988 886</b> |
| <b>Summary of Transfers:</b>                                                                                                                                                                                                                                                                     |                   |                   |
| Conditions met - transferred to Revenue: Operating Expenses                                                                                                                                                                                                                                      | 50 697 200        | 52 882 210        |
| Conditions met - transferred to Revenue: Capital Expenses                                                                                                                                                                                                                                        | 24 659 843        | 15 307 554        |
| <b>Total Transfers</b>                                                                                                                                                                                                                                                                           | <b>75 357 043</b> | <b>68 189 764</b> |
| <i>Government Grants and Subsidies have been restated to correctly classify revenue to be included in the category of Government Grants and Subsidies. Refer to Note 36.1 on "Change in Accounting Policy" for details of the restatement.</i>                                                   |                   |                   |
| <b>Operational Grants:</b>                                                                                                                                                                                                                                                                       |                   |                   |
| <b>21.1 National: Equitable Share (Unconditional)</b>                                                                                                                                                                                                                                            | <b>45 632 000</b> | <b>40 862 000</b> |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld. |                   |                   |
| <b>21.2 National: FMG Grant (Unconditional)</b>                                                                                                                                                                                                                                                  |                   |                   |
| Balance unspent at beginning of year                                                                                                                                                                                                                                                             | -                 | -                 |
| Current year receipts                                                                                                                                                                                                                                                                            | 1 500 000         | 1 250 000         |
| Conditions met - transferred to Revenue: Operating Expenses                                                                                                                                                                                                                                      | (1 500 000)       | (1 250 000)       |
| Conditions still to be met - transferred to Liabilities                                                                                                                                                                                                                                          | -                 | -                 |
| The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.                                                                     |                   |                   |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                             | 2012<br>R         | 2011<br>R         |
|-------------------------------------------------------------|-------------------|-------------------|
| <b>21.3 National: MIG Funds (Conditional)</b>               |                   |                   |
| Balance unspent at beginning of year                        | 12 487 503        | 12 688 381        |
| Current year receipts                                       | 15 532 000        | 12 913 000        |
| Interest allocated                                          | -                 | -                 |
| Conditions met - transferred to Revenue: Operating Expenses | -                 | -                 |
| Conditions met - transferred to Revenue: Capital Expenses   | (15 979 892)      | (13 113 878)      |
| Conditions still to be met - transferred to Liabilities     | <u>12 039 610</u> | <u>12 487 503</u> |

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

**21.4 National: MSIG Funds (Unconditional)**

|                                                             |           |           |
|-------------------------------------------------------------|-----------|-----------|
| Balance unspent at beginning of year                        | -         | -         |
| Current year receipts                                       | 790 000   | 750 000   |
| Interest allocated                                          | -         | -         |
| Conditions met - transferred to Revenue: Operating Expenses | (790 000) | (750 000) |
| Conditions met - transferred to Revenue: Capital Expenses   | -         | -         |
| Conditions still to be met - transferred to Liabilities     | <u>-</u>  | <u>-</u>  |

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

**21.5 National: Department Water Affairs and Forestry (DWAF) (Unconditional)**

|                                                             |             |             |
|-------------------------------------------------------------|-------------|-------------|
| Balance unspent at beginning of year                        | -           | -           |
| Current year receipts                                       | 8 094 000   | 2 193 676   |
| Interest allocated                                          | -           | -           |
| Conditions met - transferred to Revenue: Operating Expenses | -           | -           |
| Conditions met - transferred to Revenue: Capital Expenses   | (8 094 000) | (2 193 676) |
| Conditions still to be met - transferred to Liabilities     | <u>-</u>    | <u>-</u>    |

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWAF to the municipality, the refurbishment of water infrastructure and the payment of salaries of staff transferred from DWAF. No funds have been withheld.

**21.6 National: Integrated National Electrification Programme Grant (INEPG) (Conditional)**

|                                                             |               |          |
|-------------------------------------------------------------|---------------|----------|
| Balance unspent at beginning of year                        | -             | -        |
| Current year receipts                                       | 627 000       | -        |
| Interest allocated                                          | -             | -        |
| Conditions met - transferred to Revenue: Operating Expenses | -             | -        |
| Conditions met - transferred to Revenue: Capital Expenses   | (585 951)     | -        |
| Conditions still to be met - transferred to Liabilities     | <u>41 049</u> | <u>-</u> |

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**21.7COGTA Grant (Unconditional)**

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**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                            | 2012<br>R      | 2011<br>R      |
|----------------------------|----------------|----------------|
| <b>26 OTHER REVENUE</b>    |                |                |
| Building Plan Fees         | 2 350          | 584            |
| Cemetery Fees              | 27 370         | 45 514         |
| Centlec Sundry Income      | 108 674        | -              |
| Gravel Sales               | 208            | 1 412          |
| Photostats                 | 78             | 296            |
| Pound Fees                 | 1 171          | 639            |
| Rates Certificates         | 10 944         | 37 454         |
| Skills Development Levy    | -              | 14 155         |
| Cattle additions           | 115 500        | -              |
| Sundry Income              | 300 876        | 874 789        |
| <b>Total Other Revenue</b> | <b>567 172</b> | <b>974 842</b> |

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 25, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**27 EMPLOYEE RELATED COSTS**

|                                                                                      |                   |                   |
|--------------------------------------------------------------------------------------|-------------------|-------------------|
| Employee Related Costs - Salaries and Wages                                          | 23 887 813        | 21 904 552        |
| Basic Salaries and Wages                                                             | 23 555 769        | 20 250 014        |
| Long Service Bonuses                                                                 | 135 461           | -                 |
| Contribution to Leave Fund                                                           | 196 583           | 1 654 538         |
| Employee Related Costs - Contributions for UIF, Pensions and Medical Aids Bonus fund | 5 742 359         | 5 694 805         |
| Medical                                                                              | 1 423 361         | 1 230 031         |
| Pension                                                                              | 3 707 997         | 3 994 905         |
| Bonus fund                                                                           | 27 108            | 20 179            |
| Industrial Council Levy                                                              | 34 627            | 13 566            |
| Skills Development Levy                                                              | 279 811           | 225 809           |
| UIF                                                                                  | 269 455           | 210 316           |
| Travel, Motor Car, Accommodation, Subsistence and Other Allowances                   | 1 735 610         | 553 972           |
| Allowances                                                                           | 1 735 610         | 553 972           |
| Housing Benefits and Allowances                                                      | 48 111            | 72 922            |
| Overtime Payments                                                                    | 1 812 413         | 1 575 317         |
| Annual Bonuses                                                                       | 1 937 165         | 1 381 686         |
| Temporary Employees - Salaries and Wages                                             | 199 511           | (491 763)         |
| <b>Total Employee Related Costs</b>                                                  | <b>35 362 981</b> | <b>30 691 492</b> |

No advances were made to employees.

**Remuneration of Section 57 Employees:**

**Remuneration of the Municipal Manager**

|                                                         |                |                |
|---------------------------------------------------------|----------------|----------------|
| Annual Remuneration                                     | 474 548        | 396 198        |
| Performance Bonus                                       | -              | -              |
| Travel Allowances                                       | 190 293        | 73 758         |
| Company Contributions to UIF, Medical and Pension Funds | 31 561         | 1 496          |
| Other                                                   | 55 058         | 40 956         |
| <b>Total</b>                                            | <b>751 460</b> | <b>512 408</b> |

The post was vacant during September 2011 until October 2011. No Acting Allowance was paid for the period.

**Remuneration of the Chief Financial Officer**

|                                                         |                |                |
|---------------------------------------------------------|----------------|----------------|
| Annual Remuneration                                     | 365 445        | 220 444        |
| Annual Bonus                                            | -              | 34 177         |
| Travel Allowances                                       | 135 000        | 4 223          |
| Company Contributions to UIF, Medical and Pension Funds | 14 578         | 54 476         |
| Acting Allowance                                        | 28 753         | 121 587        |
| Other                                                   | 3 739          | 62 191         |
| <b>Total</b>                                            | <b>547 515</b> | <b>497 098</b> |

The post was vacant during July 2011 until September 2011. The Acting Allowance that was paid for the period is included in the above costs..

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

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**28 REMUNERATION OF COUNCILLORS**

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**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                                                                                                                                                                                              | 2012<br>R         | 2011<br>R         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>29 DEPRECIATION AND AMORTISATION</b>                                                                                                                                                                                                                      |                   |                   |
| Depreciation: Property, Plant and Equipment                                                                                                                                                                                                                  | 21 215 435        | 21 078 163        |
| <b>Total Depreciation and Amortisation</b>                                                                                                                                                                                                                   | <b>21 215 435</b> | <b>21 078 163</b> |
| <b>30 IMPAIRMENT LOSSES</b>                                                                                                                                                                                                                                  |                   |                   |
| <b>30.1 Impairment Losses on Fixed Assets</b>                                                                                                                                                                                                                |                   |                   |
| <b>Impairment Losses Recognised:</b>                                                                                                                                                                                                                         | 153 995           | -                 |
| Property, Plant and Equipment                                                                                                                                                                                                                                | 153 995           | -                 |
|                                                                                                                                                                                                                                                              | <b>153 995</b>    | <b>-</b>          |
| <b>30.2 Impairment Losses on Financial Assets</b>                                                                                                                                                                                                            |                   |                   |
| <b>Impairment Losses Recognised:</b>                                                                                                                                                                                                                         | 30 973 200        | 12 421 479        |
| Receivables from Exchange Transactions                                                                                                                                                                                                                       | 24 376 093        | 12 421 479        |
| Receivables from Non-exchange Transactions                                                                                                                                                                                                                   | 6 597 107         | -                 |
|                                                                                                                                                                                                                                                              | <b>30 973 200</b> | <b>12 421 479</b> |
| <b>30.3 Impairment of Revenue</b>                                                                                                                                                                                                                            |                   |                   |
| <b>Impairment Losses Recognised:</b>                                                                                                                                                                                                                         | 1 818 376         | 2 849 678         |
| Assessment Rates Rebates                                                                                                                                                                                                                                     | 1 818 376         | 2 849 678         |
|                                                                                                                                                                                                                                                              | <b>1 818 376</b>  | <b>2 849 678</b>  |
| <b>Total Impairment Losses</b>                                                                                                                                                                                                                               | <b>32 945 571</b> | <b>15 271 157</b> |
| <b>31 FINANCE COSTS</b>                                                                                                                                                                                                                                      |                   |                   |
| DBSA Loan                                                                                                                                                                                                                                                    | 187 530           | 167 857           |
| Creditors Overdue                                                                                                                                                                                                                                            | 201 397           | 813 828           |
| Finance Leases                                                                                                                                                                                                                                               | 70 114            | 97 847            |
| Landfill Provision                                                                                                                                                                                                                                           | 1 486 937         | 1 357 260         |
| Bank overdraft                                                                                                                                                                                                                                               | 570               | -                 |
| Finance costs incurred by Centlec                                                                                                                                                                                                                            | 133 775           | -                 |
| Total Interest Expense                                                                                                                                                                                                                                       | 2 080 323         | 2 436 791         |
| <b>Total Interest Paid on External Borrowings</b>                                                                                                                                                                                                            | <b>2 080 323</b>  | <b>2 436 791</b>  |
| <b>32 BULK PURCHASES</b>                                                                                                                                                                                                                                     |                   |                   |
| Electricity (Centlec)                                                                                                                                                                                                                                        | 14 183 363        | 16 136 859        |
| <b>Total Bulk Purchases</b>                                                                                                                                                                                                                                  | <b>14 183 363</b> | <b>16 136 859</b> |
| <b>33 CONTRACTED SERVICES</b>                                                                                                                                                                                                                                |                   |                   |
| Professional Fees                                                                                                                                                                                                                                            | 4 978 872         | 4 893 309         |
| Security Services                                                                                                                                                                                                                                            | 130 856           | 36 672            |
| Valuation Services                                                                                                                                                                                                                                           | 59 539            | 3 090 318         |
| <b>Total Contracted Services</b>                                                                                                                                                                                                                             | <b>5 169 266</b>  | <b>8 020 299</b>  |
| <i>Contracted Services</i> have been restated to correctly classify expenditure incurred during the previous financial year, previously accrued for in General Expenses. Refer to Note 36.5 on "Change in Accounting Policy" for details of the restatement. |                   |                   |
| <b>34 GRANTS AND SUBSIDIES PAID</b>                                                                                                                                                                                                                          |                   |                   |
| Free Basic Services                                                                                                                                                                                                                                          | 1 091 381         | 4 155 906         |
| <b>Total Grants and Subsidies</b>                                                                                                                                                                                                                            | <b>1 091 381</b>  | <b>4 155 906</b>  |
| <b>Free Basic Services</b> are in respect of assistance to and providing basic service levels to indigent households.                                                                                                                                        |                   |                   |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                 | 2012<br>R         | 2011<br>R         |
|-------------------------------------------------|-------------------|-------------------|
| <b>35 GENERAL EXPENSES</b>                      |                   |                   |
| Included in General Expenses are the following: |                   |                   |
| Advertising                                     | 157 892           | 441 774           |
| Audit Fees                                      | 1 597 457         | 2 175 075         |
| Bank Charges                                    | 77 876            | 1 047 581         |
| Cattle Feed                                     | 431               | 3 168             |
| Cattle Consumption                              | 92 250            | -                 |
| Cattle Losses                                   | 113 340           | -                 |
| Cattle Fair Value adjustment Loss               | 64 230            | -                 |
| Centlec General Expenses                        | 3 119 188         | -                 |
| Centlec Service Expenses                        | 1 661 644         | -                 |
| Chemicals and Poison                            | 2 092 087         | 961 832           |
| Cleaning Material                               | 99 945            | 112 049           |
| Computer Software Licenses                      | 189 174           | 108 114           |
| Consumables                                     | 405 214           | -                 |
| Entertainment                                   | 182 165           | 142 282           |
| Fines & Penalties                               | 94 808            | 19 315            |
| Fuel & Oil                                      | 1 355 963         | 1 707 687         |
| Insurance                                       | 432 314           | 532 618           |
| Lease Charges                                   | 1 180 582         | 6 393 142         |
| Legal Costs                                     | 353 638           | 519 146           |
| Levies: SALGA                                   | 88 414            | 3 000             |
| Magazines, books and periodicals                | 38 558            | 33 019            |
| Medical Expenses                                | 50 366            | 29 374            |
| Motor vehicle expenses                          | 20 917            | 31 086            |
| Pauper burials                                  | 14 840            | 18 826            |
| Postage and Courier                             | 604 652           | 316 722           |
| Printing & Stationary                           | 549 945           | 463 620           |
| Royalties and license fees                      | 110 351           | 189 254           |
| Software expenses                               | 80 922            | 72 245            |
| Special Programmes                              | 301 826           | 523 170           |
| Subscription Fees                               | 341 630           | 80 127            |
| Telephone Cost                                  | 1 705 360         | 1 439 525         |
| Training Costs                                  | 668 174           | 29 767            |
| Transport Costs                                 | 16 508            | 17 038            |
| Travelling and Subsistence                      | 2 759 353         | 1 675 716         |
| Uniforms and Protective Clothing                | 173 531           | 90 536            |
| <b>Total General Expenses</b>                   | <b>20 795 542</b> | <b>19 176 808</b> |

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

**35.1 Material Losses**

|                      |                    |   |
|----------------------|--------------------|---|
|                      | <b>106 436 681</b> | - |
| Distribution Losses: |                    |   |
| Electricity Losses   | 106 436 681        | - |

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

No other extra-ordinary expenses were incurred.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|      |      |
|------|------|
| 2012 | 2011 |
| R    | R    |

**36 CHANGE IN ACCOUNTING POLICY**

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2011/12 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented retrospectively as at 30 June 2012:

- GAMAP 9 Revenue (sections applicable to Non-exchange Transactions)
- GRAP 03 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 09 Revenue from Exchange Transactions
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 16 Investment Property
- GRAP 17 Property, Plant and Equipment
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 101 Agriculture
- GRAP 102 Intangible Assets
- GRAP 104 Financial Instruments
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 39 Financial Instruments: Recognition and Measurement

**36.1 Reclassification of Accumulated Surplus**

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

**The effect of the changes are as follows:**

**Accumulated**

**Balances published as at 30 June**

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**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

2012  
R

2011  
R

**GRAP 104 - Financial Instruments**

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments.

**36.2 Reclassification of Trade Receivables from Exchange Transactions and Trade to Receivables from Non-exchange Transactions**

The prior year figures of Trade Receivables from Exchange Transactions together with the Provision for Impairment and Trade Receivables from Non-exchange Transactions together with the Provision for Impairment have been restated to correctly disclose the monies held by the municipality in terms of GRAP 104.

The effect of the Change in Accounting Policy is as follows:

|                                               | Receivables<br>Exchange<br>Transactions | Exchange<br>Provision<br>for Impairment | Receivables<br>Non-exchange<br>Transactions | Non-exchange<br>Provision<br>for Impairment |
|-----------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------------|---------------------------------------------|
| <b>Balances published as at 30 June 2010</b>  | <b>59 504 915</b>                       | <b>(45 661 072)</b>                     | <b>-</b>                                    | <b>-</b>                                    |
| Reclassification of Debtors: Assessment Rates | (4 676 435)                             | -                                       | 4 676 435                                   | -                                           |
| <b>Restated Balances as at 30 June 2010</b>   | <b>54 828 480</b>                       | <b>(45 661 072)</b>                     | <b>4 676 435</b>                            | <b>-</b>                                    |
| Transactions incurred for the Year 2009/10:   |                                         |                                         |                                             |                                             |
| Debtors Transactions for the Year             | (7 557 814)                             | 3 494 226                               | -                                           | -                                           |
| Reclassification of Debtors: Assessment Rates | 549 854                                 | -                                       | (549 854)                                   | -                                           |
| <b>Restated Balances as at 30 June 2011</b>   | <b>47 820 520</b>                       | <b>(42 166 846)</b>                     | <b>4 126 581</b>                            | <b>-</b>                                    |

**36.3 Reclassification of Financial Instruments**

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments. The effect of this change in Accounting Policy is summarised in the following table that indicates the effect of the classification and measurement adjustments to the municipality's Financial Instruments as at 01 July 2011.

|                                                   | Old Classification<br>as per IAS 39     | Classification<br>per GRAP 104 | Old Carrying<br>Amount | New Carrying<br>Amount |
|---------------------------------------------------|-----------------------------------------|--------------------------------|------------------------|------------------------|
| <b>FINANCIAL ASSETS:</b>                          |                                         |                                |                        |                        |
| <b>Non-current Investments</b>                    |                                         |                                |                        |                        |
| Investment in Stock                               | Held to maturity                        | Amortised cost                 | 95 826                 | 95 826                 |
| <b>Receivables from Exchange Transactions</b>     |                                         |                                |                        |                        |
| Electricity                                       | Loans and receivables                   | Amortised cost                 | 247 850                | 247 850                |
| Refuse                                            | Loans and receivables                   | Amortised cost                 | 160 752                | 160 752                |
| Sewerage                                          | Loans and receivables                   | Amortised cost                 | 205 669                | 205 669                |
| Water                                             | Loans and receivables                   | Amortised cost                 | 386 388                | 386 388                |
| Other Debtors                                     | Loans and receivables                   | Amortised cost                 | 4 886 291              | 4 886 291              |
| <b>Receivables from Non-exchange Transactions</b> |                                         |                                |                        |                        |
| Assessment Rates Debtors                          | Loans and receivables                   | Amortised cost                 | 4 126 581              | 4 126 581              |
| <b>Cash and Cash Equivalents</b>                  |                                         |                                |                        |                        |
| Call Deposits                                     | Available for sale                      | Fair value                     | 299 229                | 299 229                |
| Bank Balances                                     | Available for sale                      | Fair value                     | 212 465                | 212 465                |
| Cash Floats and Advances                          | Available for sale                      | Fair value                     | 1 180                  | 1 180                  |
| <b>FINANCIAL LIABILITIES:</b>                     |                                         |                                |                        |                        |
| <b>Long-term Liabilities</b>                      |                                         |                                |                        |                        |
| Finance Lease Liabilities                         | Financial liabilities at amortised cost | Amortised cost                 | 650 326                | 650 326                |
| Government Loans                                  | Financial liabilities at amortised cost | Amortised cost                 | 1 425 013              | 1 425 013              |
| Other Loans                                       | Financial liabilities at amortised cost | Amortised cost                 | 1 337 755              | 1 337 755              |
| <b>Payables</b>                                   |                                         |                                |                        |                        |
| Trade Creditors                                   | Financial liabilities at amortised cost | Amortised cost                 | 14 117 074             | 14 117 074             |
| Payments received in Advance                      | Financial liabilities at fair value     | Fair value                     | 239 711                | 239 711                |
| Sundry Deposits                                   | Financial liabilities at amortised cost | Amortised cost                 | 236 574                | 236 574                |
| Other Creditors                                   | Financial liabilities at amortised cost | Amortised cost                 | 76 648                 | 76 648                 |
| <b>Bank Overdraft</b>                             |                                         |                                |                        |                        |
| Bank Overdraft                                    | Financial liabilities at amortised cost | Fair value                     | 2 065 666              | 2 065 666              |
| <b>Current Portion of Long-term Liabilities</b>   |                                         |                                |                        |                        |
| Finance Lease Liabilities                         | Financial liabilities at amortised cost | Amortised cost                 | 458 273                | 458 273                |
| Government Loans                                  | Financial liabilities at amortised cost | Amortised cost                 | 303 438                | 303 438                |

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|                                                                                                                                                                                            | 2012<br>R               | 2011<br>R                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------------|
| <b>36.4 Reclassification of Revenue and Expenditure</b>                                                                                                                                    |                         |                             |
| The prior year figures of Revenue and Expenditure have been restated to correctly disclose the transactions incurred by the municipality in terms of the disclosure notes indicated below. |                         |                             |
| The effect of the changes are as follows:                                                                                                                                                  |                         |                             |
|                                                                                                                                                                                            | Revenue<br>for the Year | Expenditure<br>for the Year |
| <b>Total as per AFS previously published for 2010/11</b>                                                                                                                                   | <b>101 750 443</b>      | <b>95 360 935</b>           |
| Adjustment for Inventory - Note 36.5                                                                                                                                                       | -                       | (83 566)                    |
| Adjustment for Revenue Rebates - Note 30                                                                                                                                                   | 2 849 678               | 2 849 678                   |
| Adjustment for Finance Lease Payments - Note 36.5                                                                                                                                          | -                       | (361 619)                   |
| Adjustment for Assets - Note 37.1                                                                                                                                                          | 1 780 205               | 21 078 163                  |
| Adjustment for Provision for Landfill Sites - Note 37.5                                                                                                                                    | -                       | 1 357 260                   |
| <b>Restated Total as per AFS currently disclosed for 2010/11</b>                                                                                                                           | <b>106 380 326</b>      | <b>120 200 851</b>          |
|                                                                                                                                                                                            |                         | <b>(13 820 525)</b>         |

**GRAP 12 - Inventory**

The Accounting Standard for *Inventory* was not recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of GRAP 12. The full net liabilities have been recognised retrospectively in the Annual Financial Statements. The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

**36.5 Reclassification of Inventory, General Expenses and Accumulated Surplus**

The prior year figures of Inventory and Accumulated have been restated to correctly disclose Water Inventory held by the municipality in terms of GRAP 12.

The effect of the Change in Accounting Policy is as follows:

|                                                                          | Inventory<br>Consumable<br>Stores | General<br>Expenses |
|--------------------------------------------------------------------------|-----------------------------------|---------------------|
| <b>Balances published as at 30 June 2011</b>                             |                                   | <b>28 426 292</b>   |
| Recognition of Consumable Stores from General Expenses                   | 83 566                            | (83 566)            |
| Reclassification to contracted services                                  |                                   | (8 020 299)         |
| Reclassification of rental expenses for Finance leases                   |                                   | (361 619)           |
| Reclassification of expenses to Interest expenses on Creditors           |                                   | (813 827)           |
| Reclassification of interest on finance lease charges to Rental expenses |                                   | 29 828              |
| <b>Restated Balances as at 30 June 2011</b>                              | <b>83 566</b>                     | <b>19 176 809</b>   |

**GRAP 13 - Leases**

The Accounting Standard for *Leases* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of GRAP 13. The full net liabilities have been recognised retrospectively in the Annual Financial Statements. The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

**36.6 Reclassification of Finance Lease Liabilities, and Accumulated Surplus**

The prior year figures of Finance Lease Liabilities and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of GRAP 13.

The effect of the Change in Accounting Policy is as follows:

|                                              | Finance<br>Lease<br>Liabilities |
|----------------------------------------------|---------------------------------|
| <b>Balances published as at 30 June 2011</b> | <b>1 636 434</b>                |
| Recognition of Current Portion               | 575 744                         |
| Recognition of Non-Current Portion           | 1 060 690                       |
| Restatement of Current Portion               | (255 401)                       |
| Restatement of Non-Current Portion           | (680 897)                       |
| <b>Restated Balances as at 30 June 2011</b>  | <b>700 136</b>                  |

**GRAP 17 - Property, Plant and Equipment**

*Property, Plant and Equipment* of the municipality are now recognised in terms of GRAP 17, *Property, Plant and Equipment*, and implemented as at 30 June 2010. As a result of the process of identifying, componentising and measuring assets, the values of the municipality's assets were adjusted to disclose the outcome of the physical verification.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2012**                      **2011**  
**R**                                      **R**

**IAS 39 - Financial Instruments: Recognition and Measurement**

*Arrangement Debtors*, previously recognised in Consumer Debtors, have now been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 at amortised cost in terms of IAS 39, *Financial Instruments: Recognition and Measurement*. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

**Effect of the Change in Accounting Policy:**

The effect of the above-mentioned changes in Accounting Policies on the accumulated surplus is a decrease of R423 525 in the surplus for the financial year 2010/11 and the nature of the changes in the Accounting Policies is as follows:

|                                                             |                                                              |          |                  |
|-------------------------------------------------------------|--------------------------------------------------------------|----------|------------------|
| - GRAP 12                                                   | Inventories                                                  | -        | 83 566           |
| - GRAP 23                                                   | Revenue from Non-exchange Transactions (Taxes and Transfers) | -        | (507 101)        |
| <b>Total Decrease / (Increase) in Surplus as at 30 June</b> |                                                              | <b>-</b> | <b>(423 535)</b> |

**37 CORRECTION OF ERROR**

Corrections were made during the previous financial years. Details of the corrections are described below:

**37.1 Reclassification of Property, Plant & Equipment, Investment Property, Depreciation Charges and Accumulated Surplus**

The effect of the Correction of Error is as follows:

|                                                           | <b>Property,<br/>Plant and<br/>Equipment</b> | <b>Investment<br/>Property</b> | <b>Depreciation<br/>Charges</b> |
|-----------------------------------------------------------|----------------------------------------------|--------------------------------|---------------------------------|
| <b>Balances published as at 30 June 2010</b>              | <b>168 770 562</b>                           | <b>880 853</b>                 |                                 |
| Restatement of cost                                       | 459 906 758                                  | -                              |                                 |
| Revaluation of assets through accumulated surplus         | -                                            | -                              |                                 |
| Recognition of Accumulated Depreciation                   | (327 386 157)                                | -                              |                                 |
| <b>Restated Balances as at 30 June 2010</b>               | <b>301 291 163</b>                           | <b>880 853</b>                 |                                 |
| <b>Amount per AFS previously published for 2010/11</b>    | <b>155 975 629</b>                           | <b>28 523 647</b>              | <b>-</b>                        |
| Amount included in fixed assets reclassified to Inventory | (428 339)                                    | -                              |                                 |
| Correction of opening balance through Accumulated Surplus | 171 385 662                                  | (10 665 500)                   |                                 |
| Revaluation recognised for the 2010/2011 period           | -                                            | 1 780 205                      |                                 |
| Asset additions accounted for in the incorrect period     | 3 598 130                                    |                                |                                 |
| Recognition of Depreciation for 2010/11                   | (21 078 163)                                 | -                              | (21 078 163)                    |
| <b>Restated Balances as at 30 June 2011</b>               | <b>309 452 919</b>                           | <b>20 519 205</b>              | <b>(21 078 163)</b>             |

**37.2 Reclassification of Creditors, Other Debtors, Repairs & Maintenance, Contracted Services, Employee Related Costs and Accumulated Surplus**

The opening balances of the Leave Accrual and Accumulated Surplus have been restated to correctly disclose Employee Related Costs incurred in previous financial years.

The effect of the Correction of Error is as follows:

|                                                        | <b>Leave Accrual</b> |
|--------------------------------------------------------|----------------------|
| <b>Amount per AFS previously published for 2010/11</b> |                      |
| Transactions incurred for the Year 2010/11             | (3 023 637)          |
| Adjustment for Leave Accruals                          | 875 692              |
| <b>Restated Amount currently disclosed for 2010/11</b> | <b>2 147 945</b>     |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                                                                                                                                                                                                                                                                                                                              | 2012<br>R         | 2011<br>R             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------------------|
| <b>37.3 Reclassification of Other Debtors, Creditors, Unspent Conditional Grants and Accumulated Surplus</b>                                                                                                                                                                                                                                                                                 |                   |                       |
| The prior year figures of Creditors have been restated to correctly classify the outstanding balance as at 30 June 2012.                                                                                                                                                                                                                                                                     |                   |                       |
| The prior year figures of Unspent Conditional Grants and Accumulated Surplus have been restated to correctly classify the monies held by the municipality with no conditions attached to them for Own and Public Contributions in terms of ASB Directive 4.05.144 and to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), <i>Revenue</i> on revenue from non-exchange transactions. |                   |                       |
| <b>The effect of the Correction of Error is as follows:</b>                                                                                                                                                                                                                                                                                                                                  |                   |                       |
|                                                                                                                                                                                                                                                                                                                                                                                              | <b>Creditors</b>  | <b>Unspent Grants</b> |
| <b>Balances published as at 30 June 2010</b>                                                                                                                                                                                                                                                                                                                                                 | <b>12 133 518</b> | <b>10 688 892</b>     |
| <b>Restated Balances as at 30 June 2010</b>                                                                                                                                                                                                                                                                                                                                                  | <b>12 133 518</b> | <b>10 688 892</b>     |
| Transactions incurred for the Year 2010/11                                                                                                                                                                                                                                                                                                                                                   | -                 | 11 507 010            |
| Adjustment of Trade Payables through accumulated surplus                                                                                                                                                                                                                                                                                                                                     | (2 048 764)       | -                     |
| Asset additions recorded in incorrect period                                                                                                                                                                                                                                                                                                                                                 | 4 585 253         |                       |
| Adjustment of Grants Received through accumulated surplus                                                                                                                                                                                                                                                                                                                                    | -                 | (9 708 399)           |
| <b>Restated Balances as at 30 June 2011</b>                                                                                                                                                                                                                                                                                                                                                  | <b>14 670 007</b> | <b>12 487 503</b>     |
| <b>37.4 Opening Balances have been restated as follows</b>                                                                                                                                                                                                                                                                                                                                   |                   |                       |
| <b>Intangible Assets:-</b>                                                                                                                                                                                                                                                                                                                                                                   |                   |                       |
| <b>Balance per Ledger as at 1 July</b>                                                                                                                                                                                                                                                                                                                                                       | <b>534 123</b>    | <b>-</b>              |
| Adjustment - Historical Costs                                                                                                                                                                                                                                                                                                                                                                | -                 | 534 123               |
| <b>Restated Balance as at 1 July</b>                                                                                                                                                                                                                                                                                                                                                         | <b>534 123</b>    | <b>534 123</b>        |
| <b>Inventory:-</b>                                                                                                                                                                                                                                                                                                                                                                           |                   |                       |
| <b>Balance per Ledger as at 1 July</b>                                                                                                                                                                                                                                                                                                                                                       | <b>511 904</b>    | <b>-</b>              |
| Adjustment - Recognition of Inventory                                                                                                                                                                                                                                                                                                                                                        | 114 926           | 511 904               |
| <b>Restated Balance as at 1 July</b>                                                                                                                                                                                                                                                                                                                                                         | <b>626 830</b>    | <b>511 904</b>        |
| <b>37.5 Landfill sites provision</b>                                                                                                                                                                                                                                                                                                                                                         |                   |                       |
| Liability as at 1 July                                                                                                                                                                                                                                                                                                                                                                       | 15 563 009        | -                     |
| Liability raised for the year to Accumulated Surplus                                                                                                                                                                                                                                                                                                                                         | -                 | 14 205 749            |
| Finance cost expensed for the period                                                                                                                                                                                                                                                                                                                                                         | 1 486 936         | 1 357 260             |
| Closing balance as 30 June                                                                                                                                                                                                                                                                                                                                                                   | <b>17 049 945</b> | <b>15 563 009</b>     |
| <b>37.6 VAT</b>                                                                                                                                                                                                                                                                                                                                                                              |                   |                       |
| Receivable as at 1 July                                                                                                                                                                                                                                                                                                                                                                      | 15 183 263        | 6 528 332             |
| Adjustment to Accumulated Surplus                                                                                                                                                                                                                                                                                                                                                            | -                 | 8 654 931             |
| VAT payable for the year                                                                                                                                                                                                                                                                                                                                                                     | (2 815 596)       | -                     |
| VAT receivable for the year                                                                                                                                                                                                                                                                                                                                                                  | -                 | -                     |
| Closing balance as 30 June                                                                                                                                                                                                                                                                                                                                                                   | <b>12 367 667</b> | <b>15 183 263</b>     |

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                                                                                                                                                                                                                                 | 2012<br>R         | 2011<br>R         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                                                                                                                                                                                                                                 | 2012<br>R         | 2011<br>R         |
| <b>38 CHANGE IN ACCOUNTING ESTIMATES</b>                                                                                                                                                                                                                                                        |                   |                   |
| <b>38.1 Depreciation Expenditure:</b>                                                                                                                                                                                                                                                           |                   |                   |
| The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2012. Adjustments to the residual values and useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows: |                   |                   |
| 21 215 435      21 078 163                                                                                                                                                                                                                                                                      |                   |                   |
| <b>Increase / (Decrease) in Depreciation of PPE</b>                                                                                                                                                                                                                                             | <b>21 215 435</b> | <b>21 078 163</b> |
| <b>39 CASH GENERATED BY OPERATIONS</b>                                                                                                                                                                                                                                                          |                   |                   |
| Surplus / (Deficit) for the Year                                                                                                                                                                                                                                                                | (17 040 532)      | (13 820 526)      |
| Prior Period Adjustments:                                                                                                                                                                                                                                                                       | -                 | 151 047 251       |
| Depreciation and Amortisation                                                                                                                                                                                                                                                                   | 21 215 435        | 21 078 163        |
| Fair value adjustments on Property, Plant and Equipment                                                                                                                                                                                                                                         | -                 | (1 780 205)       |
| Impairment losses on Property, Plant and Equipment                                                                                                                                                                                                                                              | 153 995           | -                 |
| Other Movements on Property, Plant and Equipment                                                                                                                                                                                                                                                | -                 | (132 520 601)     |
| Other Movements on Intangible Assets                                                                                                                                                                                                                                                            | -                 | (534 123)         |
| Other Movements on Investment Properties                                                                                                                                                                                                                                                        | (16 834)          | (17 858 147)      |
| Other Movements on Biological Assets                                                                                                                                                                                                                                                            | 154 320           | (20 100)          |
| Loss on Disposal of Buildings                                                                                                                                                                                                                                                                   | 131 102           | -                 |
| Contribution to Provisions - Non-current                                                                                                                                                                                                                                                        | 1 486 936         | 15 563 009        |
| <b>Operating surplus before working capital changes</b>                                                                                                                                                                                                                                         | <b>6 084 422</b>  | <b>21 154 721</b> |
| Decrease/(Increase) in Inventories - Consumables                                                                                                                                                                                                                                                | (114 926)         | (511 904)         |
| Decrease/(Increase) in Inventories - Erven held for transfer                                                                                                                                                                                                                                    | -                 | (4 215 670)       |
| Decrease/(Increase) in Consumer Debtors                                                                                                                                                                                                                                                         | 5 024 482         | 7 956 893         |
| Decrease/(Increase) in Other Debtors                                                                                                                                                                                                                                                            | 4 126 220         | 5 848 561         |
| Decrease/(Increase) in Sundry Debtors                                                                                                                                                                                                                                                           | (1 216)           | 958 326           |
| Decrease/(Increase) in VAT Receivable                                                                                                                                                                                                                                                           | 2 815 596         | (11 580 342)      |
| Increase/(Decrease) in Consumer Deposits                                                                                                                                                                                                                                                        | 431               | 22 263            |
| Increase/(Decrease) in Payables                                                                                                                                                                                                                                                                 | (2 840 569)       | 2 730 148         |
| Increase/(Decrease) in Conditional Grants and Receipts                                                                                                                                                                                                                                          | (406 843)         | 1 798 611         |
| <b>Cash generated by / (utilised in) Operations</b>                                                                                                                                                                                                                                             | <b>14 687 597</b> | <b>24 161 607</b> |
| <b>40 NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>                                                                                                                                                                                                                                         |                   |                   |
| The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2010/11 financial year.                                                                                                                                                                        |                   |                   |
| <b>41 FINANCING FACILITIES</b>                                                                                                                                                                                                                                                                  |                   |                   |
| The municipality did not have any Financing Facilities available at any time during the two financial years.                                                                                                                                                                                    |                   |                   |
| <b>42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>                                                                                                                                                                                                                                   |                   |                   |
| Long-term Liabilities (See Note 17)                                                                                                                                                                                                                                                             | 13 711 093        | 10 373 709        |
| Used to finance Property, Plant and Equipment - at cost                                                                                                                                                                                                                                         | (13 711 093)      | (10 373 709)      |
| Sub-total                                                                                                                                                                                                                                                                                       | -                 | -                 |
| Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates                                                                             |                   |                   |

|                                                                           |  |                                                                                                      |             |             |
|---------------------------------------------------------------------------|--|------------------------------------------------------------------------------------------------------|-------------|-------------|
| 43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED |  |                                                                                                      |             |             |
| 43.1 Unauthorised Expenditure                                             |  |                                                                                                      |             |             |
| Reconciliation of Unauthorised Expenditure:                               |  |                                                                                                      |             |             |
| Opening balance                                                           |  |                                                                                                      | 15 118 443  | -           |
| Unauthorised Expenditure current year                                     |  |                                                                                                      | 43 860 803  | 12 147 439  |
| Approved by Council or condoned                                           |  |                                                                                                      | -           | 2 971 004   |
| To be recovered – contingent asset (see Note 51)                          |  |                                                                                                      | -           | -           |
| Transfer to receivables for recovery (see Note 5)                         |  |                                                                                                      | -           | -           |
| Unauthorised Expenditure awaiting authorisation                           |  |                                                                                                      | 58 979 246  | 15 118 443  |
| Incident                                                                  |  | Disciplinary Steps / Criminal Proceedings                                                            |             |             |
| Bulk Purchases of electricity exceeding budget(R2 453 960)                |  | None                                                                                                 |             |             |
| 43.2 Fruitless and Wasteful Expenditure                                   |  |                                                                                                      |             |             |
| Reconciliation of Fruitless and Wasteful expenditure:                     |  |                                                                                                      |             |             |
| Opening balance                                                           |  |                                                                                                      | 2 086 252   | 1 253 110   |
| Fruitless and Wasteful Expenditure current year                           |  |                                                                                                      | 276 929     | 833 142     |
| Condoned or written off by Council                                        |  |                                                                                                      | -           | -           |
| To be recovered – contingent asset (see Note 51)                          |  |                                                                                                      | -           | -           |
| Transfer to receivables for recovery (see Note 5)                         |  |                                                                                                      | -           | -           |
| Fruitless and Wasteful Expenditure awaiting condonement                   |  |                                                                                                      | 2 363 181   | 2 086 252   |
| Incident                                                                  |  | Disciplinary Steps / Criminal Proceedings                                                            |             |             |
| Laeseof vehicle resulting in fruitless & Wastefull expenses(R158 769)     |  | None                                                                                                 |             |             |
| Employee travel claim not economical (R3 187)                             |  | None                                                                                                 |             |             |
| Salaries paid above minimum salary scales(R95 061)                        |  | None                                                                                                 |             |             |
| Bulk purchases, Interest paid (R6 759)                                    |  | None                                                                                                 |             |             |
| Interest on late payment - Loan account (R13 153)                         |  | None                                                                                                 |             |             |
| 43.3 Irregular Expenditure                                                |  |                                                                                                      |             |             |
| Reconciliation of Irregular Expenditure:                                  |  |                                                                                                      |             |             |
| Opening balance                                                           |  |                                                                                                      | 108 703 920 | 63 144 064  |
| Irregular Expenditure current year                                        |  |                                                                                                      | 21 997 094  | 45 559 856  |
| Condoned or written off by Council                                        |  |                                                                                                      | -           | -           |
| To be recovered – contingent asset (see Note 51)                          |  |                                                                                                      | -           | -           |
| Transfer to receivables for recovery (see Note 5)                         |  |                                                                                                      | -           | -           |
| Irregular Expenditure awaiting condonement                                |  |                                                                                                      | 130 701 014 | 108 703 920 |
| Incident                                                                  |  | Disciplinary Steps / Criminal Proceedings                                                            |             |             |
| Lease agreement entered into for more tha three years ( R700 514)         |  | Contract has been cancelled after three years ending 30 June 2012 and will be reviewed by Management |             |             |
| Prepayment of assets purchased (R404 000)                                 |  | None                                                                                                 |             |             |
| Deviation from tender process (Various) (R12 416 471)                     |  | None                                                                                                 |             |             |
| Deviation from quotation process (R8 440 429)                             |  | None                                                                                                 |             |             |
| Contract Management (R35 680)                                             |  | None                                                                                                 |             |             |
| 44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT    |  |                                                                                                      |             |             |
| 44.1 Contributions to organised local government - SALGA                  |  |                                                                                                      |             |             |
| Opening Balance                                                           |  |                                                                                                      | -           | -           |
| Council Subscriptions                                                     |  |                                                                                                      | 88 414      | 3 000       |
| Amount Paid - current year                                                |  |                                                                                                      | (88 414)    | (3 000)     |
| Amount Paid - previous years                                              |  |                                                                                                      | -           | -           |
| Balance Unpaid (included in Creditors)                                    |  |                                                                                                      | -           | -           |
| 44.2 Audit Fees                                                           |  |                                                                                                      |             |             |
| Opening Balance                                                           |  |                                                                                                      | 593 219     | 1 364 684   |
| Current year Audit Fee                                                    |  |                                                                                                      | 1 597 456   | 3 186 895   |
| Credit Notes received - current year                                      |  |                                                                                                      | -           | (2 614 656) |
| Amount Paid - current year                                                |  |                                                                                                      | (775 389)   | -           |
| Amount Paid - previous years                                              |  |                                                                                                      | (593 219)   | (1 343 704) |
| Balance Unpaid (included in Creditors)                                    |  |                                                                                                      | 822 067     | 593 219     |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                                                                                        | 2012<br>R      | 2011<br>R      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>44.3 VAT</b>                                                                                                                                        |                |                |
| The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year. |                |                |
| <b>44.4 PAYE, Skills Development Levy and UIF</b>                                                                                                      |                |                |
| Opening Balance                                                                                                                                        | 277 842        | -              |
| Current year Payroll Deductions                                                                                                                        | 3 717 963      | 3 717 963      |
| Amount Paid - current year                                                                                                                             | (3 107 331)    | (3 440 121)    |
| Amount Paid - previous years                                                                                                                           | (277 842)      | -              |
| <b>Balance Unpaid (included in Creditors)</b>                                                                                                          | <b>610 632</b> | <b>277 842</b> |

The balance represents PAYE and UIF deducted from the May and June 2012 payroll. These amounts were paid during July 2012.

|                                                           |                |             |
|-----------------------------------------------------------|----------------|-------------|
| <b>44.5 Pension and Medical Aid Deductions</b>            |                |             |
| Opening Balance                                           | -              | -           |
| Current year Payroll Deductions and Council Contributions | 4 144 829      | 5 587 343   |
| Amount Paid - current year                                | (3 628 791)    | (5 587 343) |
| Amount Paid - previous years                              | -              | -           |
| <b>Balance Unpaid (included in Creditors)</b>             | <b>516 038</b> | <b>-</b>    |

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the May 2012 payroll, as well as the municipality's contributions to these funds. These amounts were paid during July 2012.

**44.6 Councillor's arrear Consumer Accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at:

|                                                  | Total         | Outstanding<br>up to<br>90 days | Outstanding<br>more than<br>90 days |
|--------------------------------------------------|---------------|---------------------------------|-------------------------------------|
| <b>30 June 2012</b>                              |               |                                 |                                     |
| Councillor Lekhula L                             | 1 914         | 477                             | 1 437                               |
| Councillor Letele MA                             | 1 721         | 336                             | 1 385                               |
| Councillor Thuhlo RJ                             | 6 638         | 1 456                           | 5 182                               |
| Councillor Majenge BS                            | 3 161         | 466                             | 2 695                               |
| Councillor Sehanka MJ                            | 8 108         | 532                             | 7 576                               |
| Councillor Riddle IS                             | 2 503         | 420                             | 2 083                               |
| <b>Total Councillor Arrear Consumer Accounts</b> | <b>24 044</b> | <b>3 687</b>                    | <b>20 358</b>                       |
| <b>30 June 2011</b>                              |               |                                 |                                     |
| Councillor Shasha AM                             | 22 592        | 2 393                           | 20 199                              |
| Councillor Thuhlo RJ                             | 7 333         | 980                             | 6 353                               |
| Councillor Letele MA                             | 878           | 744                             | 134                                 |
| Councillor Sehanka MJ                            | 1 815         | 365                             | 1 450                               |
| Councillor Majenge BS                            | 11 141        | 496                             | 10 645                              |
| <b>Total Councillor Arrear Consumer Accounts</b> | <b>43 759</b> | <b>4 978</b>                    | <b>38 781</b>                       |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                                  | 2012<br>R                         | 2011<br>R     |
|--------------------------------------------------------------------------------------------------|-----------------------------------|---------------|
| During the year the following Councillors had arrear accounts outstanding for more than 90 days: |                                   |               |
| <b>30 June 2012</b>                                                                              | <b>Highest amount outstanding</b> | <b>Ageing</b> |
| Councillor Lekhula L                                                                             | 1 437                             | > 90 Days     |
| Councillor Letele MA                                                                             | 1 385                             | > 90 Days     |
| Councillor Thuhlo RJ                                                                             | 5 182                             | > 90 Days     |
| Councillor Majenge BS                                                                            | 2 695                             | > 90 Days     |
| Councillor Sehanka MJ                                                                            | 7 576                             | > 90 Days     |
| Councillor Riddle IS                                                                             | 2 083                             | > 90 Days     |
| <b>30 June 2011</b>                                                                              | <b>Highest amount outstanding</b> | <b>Ageing</b> |
| Councillor Shasha AM                                                                             | 20 199                            | > 90 Days     |
| Councillor Thuhlo RJ                                                                             | 6 353                             | > 90 Days     |
| Councillor Letele MA                                                                             | 134                               | > 90 Days     |
| Councillor Sehanka MJ                                                                            | 1 450                             | > 90 Days     |
| Councillor Majenge BS                                                                            | 10 645                            | > 90 Days     |

**44.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

The municipality has developed a supply chain management policy which was only approved by Council in November 2011.  
No known matters existed at reporting date.

**44.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and will be reported to Council:

| Department                                            | Date           | Successful Tenderer | Reason                                    | Amount     |
|-------------------------------------------------------|----------------|---------------------|-------------------------------------------|------------|
| Procurement                                           | Year 2011/2012 | 2 Occasions         | Only two quotes were obtained             | 33 313.60  |
| 2 Occasions during the year amounting to R33 313.60   |                |                     |                                           |            |
| Procurement                                           | 14 July 2011   | Marwin Marketing    | Tender was awarded to the highest bidder. | 107 781.30 |
| 1 Occasion during the year amounting to R107 781.30   |                |                     |                                           |            |
| Procurement                                           | Year 2011/2012 | 30 Occasions        | No quotation obtained                     | 336 049.56 |
| 30 Occasions during the year amounting to R336 049.56 |                |                     |                                           |            |
| Procurement                                           | Year 2011/2012 | 32 Occasions        | Only one quote obtained                   | 308 886.42 |
| 32 Occasions during the year amounting to R308 886.42 |                |                     |                                           |            |

|                                                                                             | 2012<br>R                      | 2011<br>R |
|---------------------------------------------------------------------------------------------|--------------------------------|-----------|
| <b>44.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA</b> |                                |           |
| Material Electricity and Water Losses were as follows and are not recoverable:              |                                |           |
| <b>Electricity:</b>                                                                         |                                |           |
| Purchased during the year                                                                   | units (kWh) 1 834 140 696      | -         |
| Sold during the year                                                                        | units (kWh) (1 630 393 374)    | -         |
| Unaccounted                                                                                 | units (kWh) 203 747 322        | -         |
| Normal distribution losses - % of electricity purchases                                     | 5.00% units (kWh) (91 707 035) | -         |
| Loss                                                                                        | units (kWh) 112 040 287        | -         |
| Loss %                                                                                      | 6%                             | 0.00%     |
| Loss (R):                                                                                   | -                              | -         |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                |         |             | 2012<br>R | 2011<br>R   |
|--------------------------------|---------|-------------|-----------|-------------|
| <u>Calculated as follows :</u> |         |             |           |             |
|                                | %       | Lost Units  | Tariff    | Value       |
| <b>30 June 2012</b>            |         |             |           |             |
| Total Electricity Losses       | 100.00% | 112 040 287 | @         | 106 436 681 |
| - Residential                  | 97.43%  | 109 160 851 | 0.9450    | 103 157 005 |
| - Business                     | 2.57%   | 2 879 435   | 1.1390    | 3 279 677   |
| <b>30 June 2011</b>            |         |             |           |             |
| Total Electricity Losses       | 0.00%   | 0           | @         | 0           |
| - Residential                  | 0.00%   | 0           | 0.0000    | -           |
| - Business                     | 0.00%   | 0           | 0.0000    | -           |

Electricity Losses occur due to *inter alia*, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

**Water:**

|                     |                          | Lost Units | Tariff | Value |
|---------------------|--------------------------|------------|--------|-------|
| <b>30 June 2012</b> |                          |            |        |       |
|                     | Unaccounted Water Losses | 0          | 0.0000 | -     |
| <b>30 June 2011</b> |                          |            |        |       |
|                     | Unaccounted Water Losses | 0          | 0.0000 | -     |

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repairs as soon as they are reported. The Loss on water distribution can not be calculated due to the fact that there are no zonal meters to determine the kilo-litres distributed.

**45 COMMITMENTS FOR EXPENDITURE**

**45.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

|                                                |                   |                   |
|------------------------------------------------|-------------------|-------------------|
| - <b>Approved and Contracted for:-</b>         | <b>2 333 908</b>  | <b>2 346 453</b>  |
| Infrastructure                                 | 2 333 908         | 2 346 453         |
| - <b>Approved but Not Yet Contracted for:-</b> | <b>42 739 744</b> | <b>12 407 994</b> |
| Infrastructure                                 | 42 739 744        | 12 407 994        |
| <b>Total Capital Commitments</b>               | <b>45 073 652</b> | <b>14 754 447</b> |
| This expenditure will be financed from:        |                   |                   |
| Government Grants                              | 45 073 652        | 14 754 447        |
|                                                | <b>45 073 652</b> | <b>14 754 447</b> |

**45.2 Lease Commitments**

Finance Lease Liabilities are disclosed in Note 16.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                                    |                                | 2012<br>R                    | 2011<br>R                |
|----------------------------------------------------------------------------------------------------|--------------------------------|------------------------------|--------------------------|
| <b>46 FINANCIAL INSTRUMENTS</b>                                                                    |                                |                              |                          |
| <b>46.1 Classification</b>                                                                         |                                |                              |                          |
| <b>FINANCIAL ASSETS:</b>                                                                           |                                |                              |                          |
| In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows: |                                |                              |                          |
|                                                                                                    | <u><b>Financial Assets</b></u> | <u><b>Classification</b></u> |                          |
| <b>Non-current Investments</b>                                                                     |                                |                              |                          |
| Investment in OVK Shares                                                                           | Amortised cost                 | 112 660                      | 95 826                   |
| <b>Receivables from Exchange Transactions</b>                                                      |                                |                              |                          |
| Electricity                                                                                        | Amortised cost                 | 270 396                      | 247 850                  |
| Refuse                                                                                             | Amortised cost                 | 65 620                       | 160 752                  |
| Sewerage                                                                                           | Amortised cost                 | 158 423                      | 205 669                  |
| Water                                                                                              | Amortised cost                 | 346 944                      | 386 388                  |
| Other Receivables                                                                                  | Amortised cost                 | 21 084                       | 4 886 291                |
| <b>Receivables from Non-exchange Transactions</b>                                                  |                                |                              |                          |
| Assessment Rates Debtors                                                                           | Amortised cost                 | 360                          | 4 126 581                |
| <b>Cash and Cash Equivalents</b>                                                                   |                                |                              |                          |
| Call Deposits                                                                                      | Fair value                     | 271 207                      | 299 229                  |
| Bank Balances                                                                                      | Fair value                     | 16 209                       | 212 465                  |
| Cash Floats and Advances                                                                           | Fair value                     | 1 180                        | 1 180                    |
| <b>SUMMARY OF FINANCIAL ASSETS</b>                                                                 |                                |                              |                          |
| <b>Financial Assets at Amortised Cost:</b>                                                         |                                |                              |                          |
| Non-current Investments                                                                            | Shares in OVK                  | 112 660                      | 95 826                   |
| Non-current Investments                                                                            | Fixed Deposits                 |                              |                          |
| Receivables from Exchange Transactions                                                             | Electricity                    | 270 396                      | 247 850                  |
| Receivables from Exchange Transactions                                                             | Refuse                         | 65 620                       | 160 752                  |
| Receivables from Exchange Transactions                                                             | Sewerage                       | 158 423                      | 205 669                  |
| Receivables from Exchange Transactions                                                             | Water                          | 346 944                      | 386 388                  |
| Sundry Debtors                                                                                     | Sundry Debtors                 | 348 161                      | 348 161                  |
| Receivables from Exchange Transactions                                                             | Other Debtors                  | 21 084                       | 4 886 291                |
| Receivables from Non-exchange Transactions                                                         | Assessment Rates Debtors       | 360                          | 4 126 581                |
|                                                                                                    |                                | <u>1 323 648</u>             | <u>10 457 516</u>        |
| <b>Financial Assets at Fair Value:</b>                                                             |                                |                              |                          |
| Cash and Cash Equivalents                                                                          | Call Deposits                  | 271 207                      | 299 229                  |
| Cash and Cash Equivalents                                                                          | Bank Balances                  | 16 209                       | 212 465                  |
| Cash and Cash Equivalents                                                                          | Cash Floats and Advances       | 1 180                        | <u>1 180</u>             |
|                                                                                                    |                                | <u>288 595</u>               | <u>512 874</u>           |
| <b>Total Financial Assets</b>                                                                      |                                | <u><b>1 612 244</b></u>      | <u><b>10 970 390</b></u> |
|                                                                                                    |                                | 348 161                      | 348 161                  |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                                         |                              | 2012<br>R                | 2011<br>R                |
|---------------------------------------------------------------------------------------------------------|------------------------------|--------------------------|--------------------------|
| <b>FINANCIAL LIABILITIES:</b>                                                                           |                              |                          |                          |
| In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows: |                              |                          |                          |
| <u>Financial Liabilities</u>                                                                            | <u>Classification</u>        |                          |                          |
| <b>Long-term Liabilities</b>                                                                            |                              |                          |                          |
| Finance Lease Liabilities                                                                               | Amortised cost               | 337 109                  | 650 326                  |
| Government Loans                                                                                        | Amortised cost               | 1 227 783                | 1 425 013                |
| Other Loans                                                                                             | Amortised cost               | 1 214 262                | 1 337 755                |
| <b>Payables</b>                                                                                         |                              |                          |                          |
| Trade Creditors                                                                                         | Amortised cost               | 8 502 473                | 14 117 074               |
| Payments received in Advance                                                                            | Fair value                   | 586 245                  | 239 711                  |
| Sundry Deposits                                                                                         | Amortised cost               | 1 041 707                | 236 574                  |
| Consumer Deposits                                                                                       | Fair value                   | 164 402                  | 163 971                  |
| Other Creditors                                                                                         | Amortised cost               | 100 571                  | 76 648                   |
| <b>Bank Overdraft</b>                                                                                   |                              |                          |                          |
| Bank Overdraft                                                                                          | Fair value                   | 3 915 357                | 2 065 666                |
| <b>Current Portion of Long-term Liabilities</b>                                                         |                              |                          |                          |
| Finance Lease Liabilities                                                                               | Amortised cost               | 313 217                  | 458 273                  |
| Government Loans                                                                                        | Amortised cost               | 183 927                  | 303 438                  |
| <b>SUMMARY OF FINANCIAL LIABILITIES</b>                                                                 |                              |                          |                          |
| <b>Financial Liabilities at Amortised Cost:</b>                                                         |                              |                          |                          |
| Long-term Liabilities                                                                                   | Finance Lease Liabilities    | 337 109                  | 650 326                  |
| Long-term Liabilities                                                                                   | Government Loans             | 1 227 783                | 1 425 013                |
| Long-term Liabilities                                                                                   | Other Loans                  | 1 214 262                | 1 337 755                |
| Payables                                                                                                | Trade Creditors              | 8 502 473                | 14 117 074               |
| Payables                                                                                                | Sundry Deposits              | 1 041 707                | 236 574                  |
| Payables                                                                                                | Other Creditors              | 100 571                  | 76 648                   |
| Current Portion of Long-term Liabilities                                                                | Finance Lease Liabilities    | 313 217                  | 458 273                  |
| Current Portion of Long-term Liabilities                                                                | Government Loans             | 183 927                  | 303 438                  |
|                                                                                                         |                              | <u>12 921 049</u>        | <u>18 605 101</u>        |
| <b>Financial Liabilities at Fair Value:</b>                                                             |                              |                          |                          |
| Payables                                                                                                | Payments received in Advance | 586 245                  | 239 711                  |
| Consumer Deposits                                                                                       | Consumer deposits            | 164 402                  | 163 971                  |
| Bank Overdraft                                                                                          | Bank Overdraft               | 3 915 357                | <u>2 065 666</u>         |
|                                                                                                         |                              | <u>4 666 005</u>         | <u>2 469 348</u>         |
| <b>Total Financial Liabilities</b>                                                                      |                              | <u><b>17 587 054</b></u> | <u><b>21 074 448</b></u> |

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

2012  
R

2011  
R

**46.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash and Short-term Investments**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Long-term Investments**

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2011, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

|                                                  | 30 June 2012         |                     | 30 June 2011         |                     |
|--------------------------------------------------|----------------------|---------------------|----------------------|---------------------|
|                                                  | Carrying Amount<br>R | Fair Value<br>R     | Carrying Amount<br>R | Fair Value<br>R     |
| <b>FINANCIAL ASSETS</b>                          |                      |                     |                      |                     |
| <b>Measured at Amortised Cost:</b>               | 1 323 648            | 1 323 648           | 10 457 516           | 10 457 516          |
| OVK Shares                                       | 112 660              | 112 660             | 95 826               | 95 826              |
| Trade Receivables from Exchange Transactions     | 1 210 628            | 1 210 628           | 6 235 110            | 6 235 110           |
| Trade Receivables from Non-exchange Transactions | 360                  | 360                 | 4 126 581            | 4 126 581           |
| <b>Measured at Fair Value</b>                    | 288 595              | 288 595             | 512 874              | 512 874             |
| Call Deposits                                    | 271 207              | 271 207             | 299 229              | 299 229             |
| Bank Balances and Cash                           | 17 389               | 17 389              | 213 645              | 213 645             |
| <b>Total Financial Assets</b>                    | <b>1 612 244</b>     | <b>1 612 244</b>    | <b>10 970 390</b>    | <b>10 970 390</b>   |
| <b>FINANCIAL LIABILITIES</b>                     |                      |                     |                      |                     |
| <b>Measured at Amortised Cost:</b>               | 12 921 049           | 12 921 049          | 18 605 101           | 18 605 101          |
| Finance Lease Liabilities                        | 337 109              | 337 109             | 650 326              | 650 326             |
| Government Loans                                 | 1 227 783            | 1 227 783           | 1 425 013            | 1 425 013           |
| Other Loans                                      | 1 214 262            | 1 214 262           | 1 337 755            | 1 337 755           |
| Trade and Other Payables:                        |                      |                     |                      |                     |
| - Creditors                                      | 9 644 751            | 9 644 751           | 14 430 297           | 14 430 297          |
| - Short-term Loans                               | -                    | -                   |                      |                     |
| - Current Portion of Long-term Liabilities       | 497 144              | 497 144             | 761 711              | 761 711             |
| <b>Measured at Fair Value</b>                    | 4 666 005            | 4 666 005           | 2 469 348            | 2 469 348           |
| Payments Received in Advance                     | 586 245              | 586 245             | 239 711              | 239 711             |
| Consumer Deposits                                | 164 402              | 164 402             | 163 971              | 163 971             |
| Bank Overdraft                                   | 3 915 357            | 3 915 357           | 2 065 666            | 2 065 666           |
| <b>Total Financial Liabilities</b>               | <b>17 587 054</b>    | <b>17 587 054</b>   | <b>21 074 448</b>    | <b>21 074 448</b>   |
| <b>Total Financial Instruments</b>               | <b>(15 974 810)</b>  | <b>(15 974 810)</b> | <b>(10 104 058)</b>  | <b>(10 104 058)</b> |
| <b>Unrecognised Gain / (Loss)</b>                |                      | <b>-</b>            |                      | <b>-</b>            |

The Financial Instruments of the municipality have been reclassified as disclosed in Note 35.3, Change in Accounting Policy.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

2012                      2011  
R                              R

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

**Level 1:-**

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

**Level 2:-**

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Level 3:-**

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**30 June 2012**

|                                             | <b>Level 1</b> | <b>Level 2</b>     | <b>Level 3</b> | <b>Total</b>       |
|---------------------------------------------|----------------|--------------------|----------------|--------------------|
|                                             | <b>R</b>       | <b>R</b>           | <b>R</b>       | <b>R</b>           |
| <b>FINANCIAL ASSETS</b>                     |                |                    |                |                    |
| <b>Financial Instruments at Fair Value:</b> |                |                    |                |                    |
| OVK Shares                                  | -              | 112 660            | -              | 112 660            |
| Call Deposits                               | -              | 271 207            | -              | 271 207            |
| Bank Balances and Cash                      | -              | 17 389             | -              | 17 389             |
| <b>Total Financial Assets</b>               | <u>-</u>       | <u>401 255</u>     | <u>-</u>       | <u>401 255</u>     |
| <b>FINANCIAL LIABILITIES</b>                |                |                    |                |                    |
| <b>Financial Instruments at Fair Value:</b> |                |                    |                |                    |
| Finance Lease Liabilities                   | -              | 337 109            | -              | 337 109            |
| Government Loans                            | -              | 1 227 783          | -              | 1 227 783          |
| Other Loans                                 | -              | 1 214 262          | -              | 1 214 262          |
| Bank Overdraft                              | -              | 3 915 357          | -              | 3 915 357          |
| <b>Total Financial Liabilities</b>          | <u>-</u>       | <u>7 280 756</u>   | <u>-</u>       | <u>7 280 756</u>   |
| <b>Total Financial Instruments</b>          | <u>-</u>       | <u>(6 879 501)</u> | <u>-</u>       | <u>(6 879 501)</u> |

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|                                             |              |                    | 2012<br>R    | 2011<br>R          |
|---------------------------------------------|--------------|--------------------|--------------|--------------------|
| 30 June 2011                                |              |                    |              |                    |
|                                             | Level 1<br>R | Level 2<br>R       | Level 3<br>R | Total<br>R         |
| <b>FINANCIAL ASSETS</b>                     |              |                    |              |                    |
| <b>Financial Instruments at Fair Value:</b> |              |                    |              |                    |
| OVK Shares                                  | -            | 95 826             | -            | 95 826             |
| Call Deposits                               | -            | 299 229            | -            | 299 229            |
| Bank Balances and Cash                      | -            | 213 645            | -            | 213 645            |
| <b>Total Financial Assets</b>               | <u>-</u>     | <u>608 700</u>     | <u>-</u>     | <u>608 700</u>     |
| <b>FINANCIAL LIABILITIES</b>                |              |                    |              |                    |
| <b>Financial Instruments at Fair Value:</b> |              |                    |              |                    |
| Finance Lease Liabilities                   | -            | 650 326            | -            | 650 326            |
| Government Loans                            | -            | 1 425 013          | -            | 1 425 013          |
| Other Loans                                 | -            | 1 337 755          | -            | 1 337 755          |
| Payments Received in Advance                | -            | 239 711            | -            | 239 711            |
| Bank Overdraft                              | -            | 2 065 666          | -            | 2 065 666          |
| <b>Total Financial Liabilities</b>          | <u>-</u>     | <u>5 718 470</u>   | <u>-</u>     | <u>5 718 470</u>   |
| <b>Total Financial Instruments</b>          | <u>-</u>     | <u>(5 109 770)</u> | <u>-</u>     | <u>(5 109 770)</u> |

**46.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010/2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 16, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

**Gearing Ratio**

The debt-to-equity ratio, is reflected at 3,16%, increasing to 3,76%. This low ratio is as a result of the Municipality not entering in a large number of Loans and making full use of Government Grants received.

|                                                   | 2012<br>R          | 2011<br>R          |
|---------------------------------------------------|--------------------|--------------------|
| The gearing ratio at the year-end was as follows: |                    |                    |
| Debt                                              | 7 191 655          | 6 240 470          |
| Cash and Cash Equivalents                         | (17 389)           | (213 645)          |
| Net Debt                                          | <u>7 174 266</u>   | <u>6 026 825</u>   |
| Equity                                            | <u>286 177 333</u> | <u>303 217 865</u> |
| <b>Net debt to equity ratio</b>                   | <u>2.51%</u>       | <u>1.99%</u>       |

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 16

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

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|      |      |
|------|------|
| 2012 | 2011 |
| R    | R    |

**46.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**46.5 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 46.8 and 46.9 to the Annual Financial Statements.

**46.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 46.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**46.6.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|      |      |
|------|------|
| 2012 | 2011 |
| R    | R    |

**46.6.2 Interest Rate Risk Management**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**Interest Rate Sensitivity Analysis**

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

**46.7 Credit Risk Management**

*Credit Risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments/Bank, Cash and Cash Equivalents**

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

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|             |             |
|-------------|-------------|
| <b>2012</b> | <b>2011</b> |
| <b>R</b>    | <b>R</b>    |

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

|             |             |
|-------------|-------------|
| <b>2012</b> | <b>2011</b> |
| <b>R</b>    | <b>R</b>    |

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

|                                                  |                   |                   |
|--------------------------------------------------|-------------------|-------------------|
| Investments                                      | 112 660           | 95 826            |
| Consumer Debtors                                 | 67 541 582        | 48 189 971        |
| Other Debtors                                    | 6 597 467         | 4 126 581         |
| Bank, Cash and Cash Equivalents                  | (3 626 762)       | (1 552 792)       |
| <b>Maximum Credit and Interest Risk Exposure</b> | <b>70 624 948</b> | <b>50 859 585</b> |

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

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|                                                                                                                                                                                                                     | 2012<br>R          | 2011<br>R          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                                                                                                                                     | %                  | %                  |
| Consumer Debtors:                                                                                                                                                                                                   |                    |                    |
| - Household                                                                                                                                                                                                         | 93.56%             | 94.46%             |
| - Industrial / Commercial                                                                                                                                                                                           | 4.04%              | 4.35%              |
| - National and Provincial Government                                                                                                                                                                                | 2.39%              | 1.19%              |
| <b>Total Credit Risk</b>                                                                                                                                                                                            | <b>100.02%</b>     | <b>100.00%</b>     |
| <b>Bank and Cash Balances</b>                                                                                                                                                                                       |                    |                    |
| ABSA Bank Ltd                                                                                                                                                                                                       | (3 820 263)        | (1 925 228)        |
| First National Bank                                                                                                                                                                                                 | 62 958             | 143 518            |
| Old Mutual                                                                                                                                                                                                          | 120 653            | 120 653            |
| Standard Bank                                                                                                                                                                                                       | 8 711              | 107 085            |
| Cash Equivalents                                                                                                                                                                                                    | 1 180              | 1 180              |
| <b>Total Bank and Cash Balances</b>                                                                                                                                                                                 | <b>(3 626 762)</b> | <b>(1 552 792)</b> |
| <b>Credit quality of Financial Assets:</b>                                                                                                                                                                          |                    |                    |
| The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates: |                    |                    |
| <b>Receivables from Exchange Transactions</b>                                                                                                                                                                       |                    |                    |
| Counterparties without external credit rating:-                                                                                                                                                                     |                    |                    |
| Group 1                                                                                                                                                                                                             | 216 443            | 869 681            |
| Group 2                                                                                                                                                                                                             | 31 260             | 169 822            |
| Group 3                                                                                                                                                                                                             |                    |                    |
|                                                                                                                                                                                                                     | <b>247 703</b>     | <b>1 039 503</b>   |
| <b>Total Receivables from Exchange Transactions</b>                                                                                                                                                                 | <b>247 703</b>     | <b>1 039 503</b>   |
| <b>Receivables from Non-exchange Transactions</b>                                                                                                                                                                   |                    |                    |
| Group 1                                                                                                                                                                                                             |                    | 11 263             |
| Group 2                                                                                                                                                                                                             |                    |                    |
| Group 3                                                                                                                                                                                                             |                    |                    |
| <b>Total Receivables from Non-exchange Transactions</b>                                                                                                                                                             |                    | <b>11 263</b>      |

**Credit quality Groupings:**

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**46 FINANCIAL INSTRUMENTS (Continued)**

**46.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

| Description                        | Note<br>ref in<br>AFS | Average<br>effective<br>Interest Rate | Total             | 0 Months<br>or less | 0 - 12<br>Months | 1 - 2<br>Years | 2 - 5<br>Years | More than<br>5 Years |
|------------------------------------|-----------------------|---------------------------------------|-------------------|---------------------|------------------|----------------|----------------|----------------------|
|                                    | #                     | %                                     | R                 | R                   | R                | R              |                | R                    |
| <b>30 June 2012</b>                |                       |                                       |                   |                     |                  |                |                |                      |
| Non-interest Bearing               |                       |                                       | 17 480 577        | 16 169 966          | 90 387           | 361 548        | 542 322        | 316 354              |
| - Creditors                        |                       | 0%                                    | 16 068 867        | 16 068 867          | -                | -              | -              | -                    |
| - DBSA                             |                       | 0%                                    | 1 411 710         | 101 099             | 90 387           | 361 548        | 542 322        | 316 354              |
| Variable Interest Rate Instruments |                       |                                       | 3 915 357         | 3 915 357           | -                | -              | -              | -                    |
| - Bank Overdraft                   |                       | 10%                                   | 3 915 357         | 3 915 357           | -                | -              | -              | -                    |
| Fixed Interest Rate Instruments    |                       |                                       | 1 864 588         | 175 701             | 137 517          | 337 108        | -              | 1 214 262            |
| - Centlec Capital Loans            |                       |                                       | 1 214 262         | -                   | -                | -              | -              | 1 214 262            |
| - Finance lease liability          |                       | 10%                                   | 650 326           | 175 701             | 137 517          | 337 108        | -              | -                    |
|                                    |                       |                                       | <b>23 260 522</b> | <b>20 261 024</b>   | <b>227 904</b>   | <b>698 656</b> | <b>542 322</b> | <b>1 530 616</b>     |
| <b>30 June 2011</b>                |                       |                                       |                   |                     |                  |                |                |                      |
| Non-interest Bearing               |                       |                                       | 20 637 886        | 19 146 501          | 90 387           | 361 548        | 542 322        | 497 128              |
| - Creditors                        |                       | 0%                                    | 18 909 436        | 18 909 436          | -                | -              | -              | -                    |
| - DBSA                             |                       | 0%                                    | 1 728 450         | 237 065             | 90 387           | 361 548        | 542 322        | 497 128              |
| Variable Interest Rate Instruments |                       |                                       | 2 065 666         | 2 065 666           | -                | -              | -              | -                    |
| - Bank Overdraft                   |                       | 10%                                   | 2 065 666         | 2 065 666           | -                | -              | -              | -                    |
| Fixed Interest Rate Instruments    |                       |                                       | 2 202 322         | 221 314             | 236 958          | 406 295        | -              | 1 337 755            |
| - Centlec Capital Loans            |                       |                                       | 1 337 755         | -                   | -                | -              | -              | 1 337 755            |
| - Finance lease liability          |                       | 10%                                   | 864 567           | 221 314             | 236 958          | 406 295        | -              | -                    |
|                                    |                       |                                       | <b>24 905 674</b> | <b>21 433 481</b>   | <b>327 345</b>   | <b>767 843</b> | <b>542 322</b> | <b>1 834 883</b>     |

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The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

| Description                                        | Note<br>ref in<br>AFS | Average<br>effective<br>Interest Rate | Total             | 6 Months<br>or less | 6 - 12<br>Months | 1 - 2<br>Years | 2 - 5<br>Years | More than<br>5 Years |
|----------------------------------------------------|-----------------------|---------------------------------------|-------------------|---------------------|------------------|----------------|----------------|----------------------|
|                                                    | #                     | %                                     | R                 | R                   | R                | R              |                | R                    |
| <b>30 June 2012</b>                                |                       |                                       |                   |                     |                  |                |                |                      |
| Non-interest Bearing                               |                       |                                       | 976 667           | 976 667             | -                | -              | -              | -                    |
| - OVK Shares                                       |                       |                                       | 112 660           | 112 660             | -                | -              | -              | -                    |
| - Trade Receivables from Exchange Transactions     |                       |                                       | 862 467           | 862 467             | -                | -              | -              | -                    |
| - Trade Receivables from Non-exchange Transactions |                       |                                       | 360               | 360                 | -                | -              | -              | -                    |
| - Cash and Cash Equivalents                        |                       |                                       | 1 180             | 1 180               | -                | -              | -              | -                    |
| Variable Interest Rate Instruments                 |                       |                                       | 287 416           | 287 416             | -                | -              | -              | -                    |
| - Call Deposits                                    |                       | 10%                                   | 271 207           | 271 207             | -                | -              | -              | -                    |
| - Bank Account                                     |                       | 10%                                   | 16 209            | 16 209              | -                | -              | -              | -                    |
|                                                    |                       |                                       | -                 |                     |                  |                |                |                      |
|                                                    |                       |                                       | <b>1 264 083</b>  | <b>1 264 083</b>    | -                | -              | -              | -                    |
|                                                    |                       |                                       | ( 348<br>161.00)  |                     |                  |                |                |                      |
| <b>30 June 2011</b>                                |                       |                                       |                   |                     |                  |                |                |                      |
| Non-interest Bearing                               |                       |                                       |                   | 10 110 535          | -                | -              | -              | -                    |
| - OVK Shares                                       |                       |                                       | 95 826            | 95 826              | -                | -              | -              | -                    |
| - Trade Receivables from Exchange Transactions     |                       |                                       | 5 886 949         | 5 886 949           | -                | -              | -              | -                    |
| - Trade Receivables from Non-exchange Transactions |                       |                                       | 4 126 581         | 4 126 581           | -                | -              | -              | -                    |
| - Cash and Cash Equivalents                        |                       |                                       | 1 180             | 1 180               | -                | -              | -              | -                    |
| Variable Interest Rate Instruments                 |                       |                                       | 511 694           | 511 694             | -                | -              | -              | -                    |
| - Call Deposits                                    |                       | 10%                                   | 299 229           | 299 229             | -                | -              | -              | -                    |
| - Bank Account                                     |                       | 10%                                   | 212 465           | 212 465             | -                | -              | -              | -                    |
|                                                    |                       |                                       |                   |                     |                  |                |                |                      |
|                                                    |                       |                                       | <b>10 622 229</b> | <b>10 622 229</b>   | -                | -              | -              | -                    |
|                                                    |                       |                                       | ( 348             |                     |                  |                |                |                      |

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**46.9 Effective Interest Rates and Repricing Analysis**

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2012

| Description                         | Note<br>ref in<br>AFS | Average<br>effective<br>Interest Rate | Total              | 6 Months<br>or less | 6 - 12<br>Months | 1 - 2<br>Years | 2 - 5<br>Years | More than<br>5 Years |
|-------------------------------------|-----------------------|---------------------------------------|--------------------|---------------------|------------------|----------------|----------------|----------------------|
|                                     | #                     | %                                     | R                  | R                   | R                | R              |                | R                    |
| <b>VARIABLE RATE INSTRUMENTS</b>    |                       |                                       |                    |                     |                  |                |                |                      |
| Short-term Investment Deposits      | 6                     |                                       | 271 207            | 271 207             | -                | -              | -              | -                    |
| Bank Balances and Cash              | 6                     |                                       | (3 897 968)        | (3 897 968)         | -                | -              | -              | -                    |
| <b>Total Fixed Rate Instruments</b> |                       |                                       | <b>(3 626 762)</b> | <b>(3 626 762)</b>  | -                | -              | -              | -                    |

30 June 2011

| Description                         | Note<br>ref in<br>AFS | Average<br>effective<br>Interest Rate | Total              | 6 Months<br>or less | 6 - 12<br>Months | 1 - 2<br>Years | 2 - 5<br>Years | More than<br>5 Years |
|-------------------------------------|-----------------------|---------------------------------------|--------------------|---------------------|------------------|----------------|----------------|----------------------|
|                                     | #                     | %                                     | R                  | R                   | R                | R              |                | R                    |
| <b>VARIABLE RATE INSTRUMENTS</b>    |                       |                                       |                    |                     |                  |                |                |                      |
| Short-term Investment Deposits      | 6                     |                                       | 299 229            | 299 229             | -                | -              | -              | -                    |
| Bank Balances and Cash              | 6                     |                                       | (1 852 021)        | (1 852 021)         | -                | -              | -              | -                    |
| <b>Total Fixed Rate Instruments</b> |                       |                                       | <b>(1 552 792)</b> | <b>(1 552 792)</b>  | -                | -              | -              | -                    |

**46.10 Other Price Risks**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

2012  
R

2011  
R

**47 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Certain councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:- (i)

The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.

(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R3,8 million (2011: R4,1 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED CONTRIBUTION SCHEMES**

**Cape Joint Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the investment reserve of the fund amounted to R67,977 (30 June 2010: R190,464) million, with a funding level of 98,1% (30 June 2010: 100,0%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

**Cape Joint Retirement Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 740,205 (30 June 2009: R6 419,440) million, with funding levels of 99,9% and 100,3% (30 June 2009: 100,8% and 131,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

**Municipal Councillors Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R1 483, 786 381 (30 June 2009: R1 341, 935 205) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

**SALA Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

**SAMWU Pension Fund:**

No details could be provided for the fund and of any valuation performed.

The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2012**  
**R**                      **2011**  
**R**

**48 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**48.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationships with businesses as indicated below:

| Name of Related Person | Designation    | Description of Related Party Relationship                                              |
|------------------------|----------------|----------------------------------------------------------------------------------------|
| Lekula L               | Councillor     | Lekhula Constructions                                                                  |
| Backward ET            | Councillor     | Matlakeng Charcoal Project                                                             |
| Riddle IS              | Councillor     | EBRI Properties                                                                        |
| Tsoamotse MN           | Director (TS)  | Moedi Trading & Reahlomela Construction                                                |
| Nqoko LV               | Director (CS)  | Info Com Biz Center & Sabbath Business Consultancy                                     |
| Nkosi JV               | Official (CFO) | Cebisa Stationary and Supplies & Sbusiso Printing and Stationary                       |
| Panyani TC             | Official (MM)  | Uhlosi Trading, Uhlosi Guest House, PC Training and Business College & Platinum Campus |

**48.2 Services rendered to Related Parties**

During the year the municipality rendered services to related parties that are related to the municipality in the form of Rates, Services and Sundry charges which is in the normal flow of business.

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel.

**48.3 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans are receivable from Councillors, Management, Staff and Public.

**48.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Notes 27 and 28 respectively, to the Annual Financial Statements.

**2012**  
**R**                      **2011**  
**R**

**48.5 Purchases from Related Parties**

The municipality used services rendered by the following companies, which are considered to be Related Parties:

| Company Name                     | Related Person | Company Capacity | Municipal Capacity | Purchases for the Year | Purchases for the Year |
|----------------------------------|----------------|------------------|--------------------|------------------------|------------------------|
| Uhlosi Guest House               | Panyani TC     |                  | Official (MM)      | 8 735                  | -                      |
| Sikhula Mo Trading CC            | Ms Buyeye      |                  | Official           | 29 780                 |                        |
| Ke Ya Hola Trading               | Mr Ntseno      |                  | Official           | 5 900                  |                        |
| PC Training and Business College | Panyani TC     |                  | Official (MM)      | 4 540                  | -                      |
| <b>Total Purchases</b>           |                |                  |                    | <b>48 955</b>          | <b>-</b>               |

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                                                                                                                                                                                     | 2012<br>R        | 2011<br>R        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>49 CONTINGENT LIABILITIES</b>                                                                                                                                                                                    |                  |                  |
| <b>49.2 Court Proceedings:</b>                                                                                                                                                                                      | <b>3 423 455</b> | <b>2 250 477</b> |
| (i) Unfair Dismissal Claim:<br>Unfair Dismissal Claims has been issued against the Municipality. The claims are being handled by N.P. Vuyi Attorneys. The possible losses regarding these cases amount to R100 000. | 100 000          | -                |
| (ii) Dispute with SARS.<br>A dispute with SARS existed at the financial year end. This relates to tax payable for the 2006 and 2007 financial year ends.                                                            | 2 250 477        | 2 250 477        |
| (iii) Professional services rendered<br>Judgement taken against client for professional services rendered                                                                                                           | 270 000          | -                |
| (iv) Legal Services<br>Legal services against the Municipality for services rendered                                                                                                                                | 75 000           | -                |

**51 IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any In-kind Donations and Assistance during the year under review.

**52 PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the year under review.

**53 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.

**54 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 36) and Prior Period Errors (Note 37).

**55 MANAGEMENT'S GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

- (i) On 30 May 2012 the Council adopted the 2012/13 to 2015/16 Budget. This four-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. The bank overdraft position of the Municipality at year end is due to the cashbook reconciliation being in overdraft while the actual bank account has a positive balance.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

## APPENDIX A

Mohokare Local Municipality

### SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

| Details                                | Original<br>Loan<br>Amount | Interest<br>Rate | Loan<br>Number          | Redeemable | Balance at<br>30 June 2011 | Received<br>during<br>the Period | Redeemed/<br>Written Off<br>during Period | Balance at<br>30 June 2012 |
|----------------------------------------|----------------------------|------------------|-------------------------|------------|----------------------------|----------------------------------|-------------------------------------------|----------------------------|
| <b>CAPITAL LEASE LIABILITIES</b>       | R                          |                  |                         |            | R                          | R                                | R                                         | R                          |
| Gestetner & Sharp                      | -                          | Prime            |                         | 2014       | 864 567                    | -                                | 214 241                                   | 650 326                    |
| <b>Total Capital Lease Liabilities</b> | -                          |                  |                         |            | <b>864 567</b>             | -                                | <b>214 241</b>                            | <b>650 326</b>             |
| <b>GOVERNMENT LOANS</b>                |                            |                  |                         |            |                            |                                  |                                           |                            |
| DBSA Loan                              | 2 730 000                  |                  | 1                       | 2015       | 1 728 450                  | 42 247                           | 358 987                                   | 1 411 710                  |
| <b>Total Government Loans</b>          | <b>2 730 000</b>           |                  |                         |            | <b>1 728 450</b>           | <b>42 247</b>                    | <b>358 987</b>                            | <b>1 411 710</b>           |
| <b>OTHER LOANS</b>                     |                            |                  |                         |            |                            |                                  |                                           |                            |
| Centlec Capital Loan                   | -                          | 0.00%            | 40021201 to<br>40027483 | 2024       | 1 337 755                  | -                                | 123 493                                   | 1 214 262                  |
| <b>Total Other Loans</b>               | -                          |                  |                         |            | <b>1 337 755</b>           | -                                | <b>123 493</b>                            | <b>1 214 262</b>           |
| <b>TOTAL EXTERNAL LOANS</b>            | <b>2 730 000</b>           |                  |                         |            | <b>3 930 772</b>           | <b>42 247</b>                    | <b>696 721</b>                            | <b>3 276 298</b>           |

**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012**

| Description                          | Cost / Revaluation |                   |                       |              |              |                    | Accumulated Depreciation / Impairment |                   |           |             |                    | Carrying           |
|--------------------------------------|--------------------|-------------------|-----------------------|--------------|--------------|--------------------|---------------------------------------|-------------------|-----------|-------------|--------------------|--------------------|
|                                      | Openin<br>g        | Additions         | Under<br>Construction | Transfe<br>r | Disposals    | Closin<br>g        | Openin<br>g                           | Additions         | Transfers | Disposals   | Closin<br>g        | Value              |
| <b>Land and Buildings</b>            | <b>R</b>           | <b>R</b>          | <b>R</b>              | <b>R</b>     | <b>R</b>     | <b>R</b>           | <b>R</b>                              | <b>R</b>          | <b>R</b>  | <b>R</b>    | <b>R</b>           | <b>R</b>           |
| Housing                              | 18 341 175         | -                 | -                     | -            | -            | 18 341 175         | 6 895 363                             | 285 501           | -         | -           | 7 180 865          | 11 160 311         |
| Operational buildings Total          | 24 713 953         | -                 | -                     | -            | (230 376)    | 24 483 577         | 16 883 743                            | 859 056           | -         | (99 274)    | 17 643 524         | 6 840 052          |
|                                      | <b>43 055 128</b>  | <b>-</b>          | <b>-</b>              | <b>-</b>     | <b>(230)</b> | <b>42 824 752</b>  | <b>23 779 106</b>                     | <b>1 144 557</b>  | <b>-</b>  | <b>(99)</b> | <b>24 824 389</b>  | <b>18 000 363</b>  |
| <b>Infrastructure</b>                |                    |                   |                       |              |              |                    |                                       |                   |           |             |                    |                    |
| <i>Electricity:</i>                  |                    |                   |                       |              |              |                    |                                       |                   |           |             |                    |                    |
| Network                              | 63 615 725         | 1 214 788         | 605 342               | -            | -            | 65 435 855         | 25 753 061                            | 1 707 367         | -         | -           | 27 460 429         | 37 975 427         |
| <i>Roads and Transport:</i>          |                    |                   |                       |              |              |                    |                                       |                   |           |             |                    |                    |
| Roads & Stormwater                   | 121 234 548        | 11 131 874        | 3 105 568             | -            | -            | 135 471 990        | 74 539 435                            | 5 747 431         | -         | -           | 80 286 866         | 55 185 124         |
| <i>Sanitation:</i>                   |                    |                   |                       |              |              |                    |                                       |                   |           |             |                    |                    |
| Sanitation network                   | 130 873 296        | 8 124 884         | 2 193 676             | -            | -            | 141 191 856        | 78 695 245                            | 3 223 854         | -         | -           | 81 919 100         | 59 272 756         |
| <i>Water:</i>                        |                    |                   |                       |              |              |                    |                                       |                   |           |             |                    |                    |
| Supply network                       | 135 950 096        | 857 035           | 22 937 838            | -            | -            | 159 744 969        | 78 103 108                            | 4 433 079         | -         | -           | 82 536 187         | 77 208 782         |
|                                      | <b>451 673 665</b> | <b>21 328 580</b> | <b>28 842 424</b>     | <b>-</b>     | <b>-</b>     | <b>501 844 670</b> | <b>257 090 849</b>                    | <b>15 111 731</b> | <b>-</b>  | <b>-</b>    | <b>272 202 581</b> | <b>229 642 089</b> |
| <b>Community Assets</b>              |                    |                   |                       |              |              |                    |                                       |                   |           |             |                    |                    |
| Community facilities                 | 54 617 584         | -                 | -                     | -            | -            | 54 617 584         | 30 420 019                            | 2 042 415         | -         | -           | 32 462 434         | 22 155 150         |
| Sport and Recreational Facilities    | 35 730 767         | -                 | -                     | -            | -            | 35 730 767         | 1 897 254                             | -                 | -         | -           | 1 897 254          | 33 833 514         |
|                                      | <b>90 348 351</b>  | <b>-</b>          | <b>-</b>              | <b>-</b>     | <b>-</b>     | <b>90 348 351</b>  | <b>32 317 273</b>                     | <b>2 042 415</b>  | <b>-</b>  | <b>-</b>    | <b>34 359 688</b>  | <b>55 988 663</b>  |
| <b>Leased Assets</b>                 |                    |                   |                       |              |              |                    |                                       |                   |           |             |                    |                    |
| Office furniture                     | -                  | -                 | -                     | -            | -            | -                  | -                                     | -                 | -         | -           | -                  | -                  |
|                                      | <b>-</b>           | <b>-</b>          | <b>-</b>              | <b>-</b>     | <b>-</b>     | <b>-</b>           | <b>-</b>                              | <b>-</b>          | <b>-</b>  | <b>-</b>    | <b>-</b>           | <b>-</b>           |
| <b>Other Assets</b>                  |                    |                   |                       |              |              |                    |                                       |                   |           |             |                    |                    |
| <i>Emergency Equipment:</i>          |                    |                   |                       |              |              |                    |                                       |                   |           |             |                    |                    |
| Emergency / rescue equipment         | 81 260             | -                 | -                     | -            | -            | 81 260             | 20 112                                | 14 627            | -         | -           | 34 739             | 46 521             |
| Fire fighting equipment / fire hoses | 19 183             | -                 | -                     | -            | -            | 19 183             | 4 097                                 | 3 849             | -         | -           | 7 946              | 11 237             |
| <i>Furniture and Fittings:</i>       |                    |                   |                       |              |              |                    |                                       |                   |           |             |                    |                    |
| Tables & desks                       | 798 145            | -                 | -                     | -            | -            | 798 145            | 151 850                               | 60 992            | -         | -           | 212 842            | 585 303            |
| Chairs and couches                   | 731 587            | -                 | -                     | -            | -            | 731 587            | 364 383                               | 99 098            | -         | -           | 463 481            | 268 106            |
| Cabinets & cupboards                 | 410 915            | -                 | -                     | -            | -            | 410 915            | 128 781                               | 53 756            | -         | -           | 182 537            | 228 378            |
| Other furniture and fittings         | 137 027            | -                 | -                     | -            | -            | 137 027            | 46 726                                | 22 777            | -         | -           | 69 503             | 67 524             |
| Shelving and bookcases               | 37 375             | -                 | -                     | -            | -            | 37 375             | 13 196                                | 4 805             | -         | -           | 18 001             | 19 374             |
| Headboards                           | 656                | -                 | -                     | -            | -            | 656                | 325                                   | 118               | -         | -           | 443                | 213                |
| <i>Motor Vehicles:</i>               |                    |                   |                       |              |              |                    |                                       |                   |           |             |                    |                    |
| Trailers and accessories             | 331 200            | -                 | -                     | -            | -            | 331 200            | 75 733                                | 15 898            | -         | -           | 91 631             | 239 569            |
| Trucks, buses and ldv's              | 367 800            | -                 | -                     | -            | -            | 367 800            | 41 170                                | 12 969            | -         | -           | 54 139             | 313 661            |
| Tractors                             | 707 750            | -                 | -                     | -            | -            | 707 750            | 80 510                                | 22 648            | -         | -           | 103 158            | 604 592            |
| Passenger vehicles                   | 859 600            | -                 | -                     | -            | -            | 859 600            | 167 506                               | 58 944            | -         | -           | 226 450            | 633 150            |

**APPENDIX B Cont.**

**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012**

| Description                      | Cost / Revaluation |            |                    |           |           |                 | Accumulated Depreciation / Impairment |            |           |           |                 | Carrying Value |
|----------------------------------|--------------------|------------|--------------------|-----------|-----------|-----------------|---------------------------------------|------------|-----------|-----------|-----------------|----------------|
|                                  | Opening Balance    | Additions  | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance                       | Additions  | Transfers | Disposals | Closing Balance |                |
|                                  | R                  | R          | R                  | R         | R         | R               | R                                     | R          | R         | R         | R               | R              |
| <i>Office Equipment:</i>         |                    |            |                    |           |           |                 |                                       |            |           |           |                 |                |
| Domestic equipment               | 64 438             | -          | -                  | -         | -         | 64 438          | 28 011                                | 12 192     | -         | -         | 40 203          | 24 235         |
| Computer hardware                | 2 042 460          | -          | -                  | -         | -         | 2 042 460       | 761                                   | 505 727    | -         | -         | 1 267 695       | 774            |
| Office machines                  | 133                | -          | -                  | -         | -         | 133             | 968                                   | 24 895     | -         | -         | 52              | 765            |
| Office equipment - other         | 185                | -          | -                  | -         | -         | 185             | 27 671                                | 6 788      | -         | -         | 566             | 80 619         |
| Audiovisual equipment            | 36 892             | -          | -                  | -         | -         | 36 892          | 11 761                                | 7 924      | -         | -         | 18 549          | 18 343         |
| Air conditioners                 | 43 064             | -          | -                  | -         | -         | 43 064          | 14 703                                | 13 627     | -         | -         | 22 627          | 20 437         |
| Musical instruments              | 59                 | -          | -                  | -         | -         | 59              | 17 267                                | 2 116      | -         | -         | 30              | 28 355         |
|                                  | 249                | -          | -                  | -         | -         | 249             | 15 341                                |            | -         | -         | 894             | 17 043         |
|                                  | 34                 | -          | -                  | -         | -         | 34              |                                       |            | -         | -         | 17              |                |
|                                  | 500                | -          | -                  | -         | -         | 500             |                                       | 57 412     | -         | -         | 457             |                |
|                                  |                    | -          | -                  | -         | -         |                 | 49 325                                | 118 938    | -         | -         |                 | 148            |
|                                  |                    | -          | -                  | -         | -         |                 | 317 145                               | 6 286      | -         | -         |                 | 427            |
| <i>Plant and Equipment:</i>      |                    |            |                    |           |           |                 |                                       |            |           |           |                 |                |
| Lawnmowers / gardening equipment | 255                | -          | -                  | -         | -         | 255             | 11 508                                | 3 213      | -         | -         | 106             | 488 990        |
| Plant and equipment - other      | 164                | -          | -                  | -         | -         | 164             | 13 611                                | 1 743      | -         | -         | 737             | 17 126         |
| Workshop equipment and tools     | 8 380 182          | -          | -                  | -         | -         | 8 380 182       | 2 432 099                             | 1 173 474  | -         | -         | 3 605 573       | 4 774 609      |
| Compressors                      | 593 457 327        | 21 328 580 | 28 842 424         | -         | (230)     | 643 397 955     | 315 619 327                           | 19 472 177 | -         | (99)      | 334 992 230     | 308 405 725    |
| Radio equipment                  |                    |            |                    |           |           |                 |                                       |            |           |           |                 |                |

**ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2012**

| Description           | Cost / Revaluation |           |                    |           |           |                 | Accumulated Depreciation / |           |           |           |                 | Carrying   |
|-----------------------|--------------------|-----------|--------------------|-----------|-----------|-----------------|----------------------------|-----------|-----------|-----------|-----------------|------------|
|                       | Opening Balance    | Additions | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance            | Additions | Transfers | Disposals | Closing Balance |            |
|                       | R                  | R         | R                  | R         | R         | R               | R                          | R         | R         | R         | R               | R          |
| Investment Properties | 20 519 205         | -         | -                  | -         | -         | 20 519 205      | -                          | -         | -         | -         | -               | 20 519 205 |
|                       | 20 519 205         | -         | -                  | -         | -         | 20 519 205      | -                          | -         | -         | -         | -               | 20 519 205 |

**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2012**

| Description       | Cost / Revaluation |           |                    |           |           |                 | Accumulated Depreciation / |           |           |           |                 | Carrying |
|-------------------|--------------------|-----------|--------------------|-----------|-----------|-----------------|----------------------------|-----------|-----------|-----------|-----------------|----------|
|                   | Opening Balance    | Additions | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance            | Additions | Transfers | Disposals | Closing Balance |          |
|                   | R                  | R         | R                  | R         | R         | R               | R                          | R         | R         | R         | R               | R        |
| Intangible Assets |                    |           |                    |           |           |                 |                            |           |           |           |                 |          |
| Servitudes        | 534 123            | -         | -                  | -         | -         | 534 123         | -                          | -         | -         | -         | -               | 534 123  |
|                   | 534 123            | -         | -                  | -         | -         | 534 123         | -                          | -         | -         | -         | -               | 534 123  |

**APPENDIX C**

**SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2012**

| Description                          | Cost / Revaluation |           |                    |           |                  |                    | Accumulated Depreciation / Impairment |                   |           |                 |                    | Carrying           |
|--------------------------------------|--------------------|-----------|--------------------|-----------|------------------|--------------------|---------------------------------------|-------------------|-----------|-----------------|--------------------|--------------------|
|                                      | Opening            | Additions | Under Construction | Transfers | Disposals        | Closing Balance    | Opening                               | Additions         | Transfers | Disposals       | Closing Balance    |                    |
|                                      | R                  | R         | R                  | R         | R                | R                  | R                                     | R                 | R         | R               | R                  | R                  |
| Executive and Council                | 788 123            | -         | -                  | -         | -                | 788 123            | 298 617                               | 114 215           | -         | -               | 412 832            | 375 291            |
| Finance and Administration           | 27 234 826         | -         | -                  | -         | (230 376)        | 27 358 836         | 17 801 710                            | 1 407 173         | -         | (99 000)        | 19 109 609         | 8 249 227          |
| Planning and Development             | 42 428             | -         | -                  | -         | -                | 42 428             | 7 788                                 | 7 608             | -         | -               | 15 396             | 27 032             |
| Health                               | 1 199 588          | -         | -                  | -         | -                | 1 199 588          | 756 135                               | 37 919            | -         | -               | 794 054            | 405 534            |
| Community and Social Services        | 48 911 127         | -         | -                  | -         | -                | 48 911 127         | 27 856 264                            | 1 985 136         | -         | -               | 29 841 400         | 19 069 727         |
| Housing                              | 18 387 414         | -         | -                  | -         | -                | 18 387 414         | 6 907 222                             | 294 242           | -         | -               | 7 201 464          | 11 185 950         |
| Public Safety                        | 267 999            | -         | -                  | -         | -                | 267 999            | 48 733                                | 41 485            | -         | -               | 90 218             | 177 781            |
| Sport and Recreation                 | 74 215 160         | -         | -                  | -         | -                | 74 215 160         | 36 103 910                            | 2 023 767         | -         | -               | 38 127 677         | 36 087 483         |
| Waste Management                     | 134 095 541        | -         | 10 318 562         | -         | -                | 144 414 103        | 79 604 099                            | 3 475 404         | -         | -               | 83 079 503         | 61 334 600         |
| Waste Water Management               | 131 567 736        | -         | 10 318 562         | -         | -                | 141 886 298        | 78 903 300                            | 3 299 666         | -         | -               | 82 202 966         | 59 683 332         |
| Sewerage Works                       | -                  | -         | -                  | -         | -                | -                  | -                                     | -                 | -         | -               | -                  | -                  |
| Waste Management                     | 2 527 805          | -         | -                  | -         | -                | 2 527 805          | 700 799                               | 175 738           | -         | -               | 876 537            | 1 651 268          |
| Roads and Transport                  | 106 961 379        | -         | 14 237 442         | -         | -                | 121 198 821        | 65 968 873                            | 5 444 635         | -         | -               | 71 413 508         | 49 785 313         |
| Roads and Transport                  | 106 254 163        | -         | 14 237 442         | -         | -                | 120 491 605        | 65 498 703                            | 5 419 787         | -         | -               | 70 918 490         | 49 573 115         |
| Other                                | 707 216            | -         | -                  | -         | -                | 707 216            | 470 170                               | 24 848            | -         | -               | 495 018            | 212 198            |
| Licences                             | -                  | -         | -                  | -         | -                | -                  | -                                     | -                 | -         | -               | -                  | -                  |
| Water                                | 136 742 262        | -         | 23 794 872         | -         | -                | 160 537 134        | 78 267 447                            | 4 488 621         | -         | -               | 82 756 068         | 77 781 066         |
| Water Purchase                       | -                  | -         | -                  | -         | -                | -                  | -                                     | -                 | -         | -               | -                  | -                  |
| Water Distribution                   | 89 419 441         | -         | 23 794 872         | -         | -                | 113 214 313        | 52 259 105                            | 3 178 810         | -         | -               | 55 437 915         | 57 776 398         |
| Water Storage                        | 47 322 821         | -         | -                  | -         | -                | 47 322 821         | 26 008 342                            | 1 309 811         | -         | -               | 27 318 153         | 20 004 668         |
| Water Exploitation                   | -                  | -         | -                  | -         | -                | -                  | -                                     | -                 | -         | -               | -                  | -                  |
| Electricity                          | 78 999 336         | -         | 1 820 131          | -         | -                | 80 819 467         | 34 843 521                            | 2 049 225         | -         | -               | 36 892 746         | 43 926 721         |
| Street Lighting                      | 15 383 610         | -         | -                  | -         | -                | 15 383 610         | 9 090 460                             | 341 858           | -         | -               | 9 432 318          | 5 951 292          |
| Electricity Meter Reading            | -                  | -         | -                  | -         | -                | -                  | -                                     | -                 | -         | -               | -                  | -                  |
| Electricity Purchase                 | -                  | -         | -                  | -         | -                | -                  | -                                     | -                 | -         | -               | -                  | -                  |
| Electricity Distribution             | 63 615 726         | -         | 1 820 131          | -         | -                | 65 435 857         | 25 753 061                            | 1 707 367         | -         | -               | 27 460 428         | 37 975 429         |
| Electricity Workshop                 | -                  | -         | -                  | -         | -                | -                  | -                                     | -                 | -         | -               | -                  | -                  |
| Major Spare Parts                    | -                  | -         | -                  | -         | -                | -                  | -                                     | -                 | -         | -               | -                  | -                  |
| Other                                | -                  | -         | -                  | -         | -                | -                  | -                                     | -                 | -         | -               | -                  | -                  |
| Tourism                              | -                  | -         | -                  | -         | -                | -                  | -                                     | -                 | -         | -               | -                  | -                  |
| Intergovernmental & Special Projects | -                  | -         | -                  | -         | -                | -                  | -                                     | -                 | -         | -               | -                  | -                  |
| <b>Total</b>                         | <b>627 845 183</b> | <b>-</b>  | <b>50 171 007</b>  | <b>-</b>  | <b>(230 376)</b> | <b>678 140 200</b> | <b>348 464 319</b>                    | <b>21 369 430</b> | <b>-</b>  | <b>(99 000)</b> | <b>369 734 475</b> | <b>308 405 725</b> |

**APPENDIX D**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012**

| 2011<br>Actual<br>Income | 2011<br>Actual<br>Expenditure | 2011<br>Surplus/<br>(Deficit) | Description                       | 2012<br>Actual<br>Income | 2012<br>Actual<br>Expenditure | 2012<br>Surplus/<br>(Deficit) |
|--------------------------|-------------------------------|-------------------------------|-----------------------------------|--------------------------|-------------------------------|-------------------------------|
| R                        | R                             | R                             |                                   | R                        | R                             | R                             |
| -                        | 27 282 131                    | (27 282 131)                  | Executive and Council             | -                        | 30 736 533                    | (30 736 533)                  |
| -                        | 26 349 296                    | (26 349 296)                  | Office of the Mayor & Speaker     | -                        | 27 538 846                    | (27 538 846)                  |
| -                        | 932 835                       | (932 835)                     | Municipal Manager                 | -                        | 3 197 687                     | (3 197 687)                   |
| 932 529                  | 8 080 556                     | (7 148 027)                   | Finance and Administration        | 1 085 373                | 13 380 336                    | (12 294 963)                  |
| -                        | 1 004 626                     | (1 004 626)                   | Human Resources                   | -                        | 1 597 350                     | (1 597 350)                   |
| -                        | 63 348                        | (63 348)                      | Other Human Resources             | -                        | -                             | -                             |
| -                        | 610 772                       | (610 772)                     | IT Support                        | -                        | 782 127                       | (782 127)                     |
| 198 266                  | 569 289                       | (371 023)                     | Property Service                  | 295 373                  | 124 863                       | 170 510                       |
| 734 263                  | 5 832 521                     | (5 098 257)                   | Other Administration              | 790 000                  | 10 875 995                    | (10 085 995)                  |
| -                        | 884 119                       | (884 119)                     | Planning and Development          | -                        | 1 502 526                     | (1 502 526)                   |
| -                        | 884 119                       | (884 119)                     | Planning & Development            | -                        | 1 502 526                     | (1 502 526)                   |
| 54 907                   | 692 350                       | (637 443)                     | Community and Social Services     | 34 137                   | 2 839 131                     | (2 804 994)                   |
| 9 326                    | (1 387 353)                   | 1 396 679                     | Community Halls                   | 6 689                    | 451 751                       | (445 062)                     |
| 45 514                   | 9 706                         | 35 808                        | Cemetery                          | 27 370                   | 7 208                         | 20 162                        |
| 67                       | 935 921                       | (935 854)                     | Library                           | 78                       | 951 046                       | (950 968)                     |
| -                        | 1 134 077                     | (1 134 077)                   | Other Community services          | -                        | 1 429 126                     | (1 429 126)                   |
| 451 797                  | 692 472                       | (240 674)                     | Housing                           | 360 990                  | 691 281                       | (330 291)                     |
| 451 797                  | 692 472                       | (240 674)                     | Housing                           | 360 990                  | 691 281                       | (330 291)                     |
| 156 694                  | 1 727 585                     | (1 570 891)                   | Public Safety                     | 158 314                  | 1 339 086                     | (1 180 771)                   |
| 156 055                  | 1 561 521                     | (1 405 465)                   | Police & Traffic                  | 157 143                  | 1 091 657                     | (934 514)                     |
| -                        | 11 502                        | (11 502)                      | Fire Services                     | -                        | -                             | -                             |
| 639                      | 154 562                       | (153 923)                     | Public Safety                     | 1 171                    | 247 428                       | (246 257)                     |
| 629                      | 2 667 035                     | (2 666 407)                   | Sport and Recreation              | 2 493                    | 17 211 797                    | (17 209 304)                  |
| 629                      | 2 667 035                     | (2 666 407)                   | Sport and Recreation              | 2 493                    | 17 211 797                    | (17 209 304)                  |
| -                        | (113 614)                     | 113 614                       | Environmental Protection          | -                        | 177 570                       | (177 570)                     |
| -                        | (113 614)                     | 113 614                       | Environmental Health              | -                        | 177 570                       | (177 570)                     |
| 9 521 845                | 13 432 988                    | (3 911 143)                   | Waste Management                  | 10 590 928               | 18 906 447                    | (8 315 519)                   |
| 3 786 978                | 5 600 119                     | (1 813 141)                   | Waste Management                  | 4 221 848                | 3 378 543                     | 843 305                       |
| 5 734 867                | 7 832 868                     | (2 098 002)                   | Water Waste Management            | 6 369 080                | 15 527 904                    | (9 158 824)                   |
| 2 564                    | 8 398 166                     | (8 395 602)                   | Roads and Transport               | 208                      | (1 464 603)                   | 1 464 811                     |
| 2 564                    | 8 398 166                     | (8 395 602)                   | Roads and Transport               | 208                      | (1 464 603)                   | 1 464 811                     |
| 19 826 475               | 18 714 962                    | 1 111 513                     | Water                             | 24 659 243               | 43 491 543                    | (18 832 300)                  |
| 19 826 475               | 18 714 962                    | 1 111 513                     | Water Distribution                | 24 659 243               | 43 491 543                    | (18 832 300)                  |
| 11 969 475               | 16 813 184                    | (4 843 709)                   | Electricity                       | 16 295 707               | 1 350 817                     | 14 944 890                    |
| 11 969 475               | 16 813 184                    | (4 843 709)                   | Electricity Distribution External | 16 295 707               | 1 350 817                     | 14 944 890                    |
| 53 443 199               | 21 621 771                    | 31 821 428                    | Other                             | 65 882 749               | 17 123 454                    | 48 759 295                    |
| 53 443 199               | 21 621 771                    | 31 821 428                    | Budget & Treasury                 | 65 882 749               | 17 123 454                    | 48 759 295                    |
| 96 360 115               | 120 893 705                   | (24 533 589)                  | Sub-Total Revenue Foregone        | 119 070 145              | 147 285 917                   | (28 215 773)                  |
|                          |                               |                               | Total                             |                          |                               |                               |
| 96 360 115               | 120 893 705                   | (24 533 589)                  |                                   | 119 070 145              | 147 285 917                   | (28 215 773)                  |

## APPENDIX E(1)

### ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

| Description                                 | 2011/12<br>Actual | 2011/12<br>Budget | 2011/12<br>Variance | 2011/12<br>Variance | Explanation of Significant Variances                               |
|---------------------------------------------|-------------------|-------------------|---------------------|---------------------|--------------------------------------------------------------------|
| <b>REVENUE</b>                              | <b>R</b>          | <b>R</b>          | <b>R</b>            | <b>%</b>            |                                                                    |
| Property Rates                              | 7 231             | 6 846             | 385                 | 5.62                |                                                                    |
| Fines                                       | 157               | 50                | 107                 | 214.2               | More fines issued than anticipated                                 |
| Licences and Permits                        | 439               | 1                 | (561)               | (56.1)              | Less licences/permits issued than anticipated                      |
| Government Grants and Subsidies             | 75 357            | 72 711            | 2 646               | 3.64                |                                                                    |
| Public Contributions and Donations          | -                 | (28)              | 28                  | (100.0)             |                                                                    |
| Service Charges                             | 35 847            | 7 067             | 28 780              | 407.2               | Water services billed incorrectly & Electricity sales not budgeted |
| Rental of Facilities and Equipment          | 663               | 524               | 138                 | 26.41               | More rental of facilities than expected                            |
| Interest Earned - External investments      | 140               | 15                | 125                 | 837.8               |                                                                    |
| Interest Earned - Outstanding debtors       | 273               | 242               | 31                  | 12.80               | Budgeted only for anticipated recoverable interest                 |
| Dividends Received                          | 2                 | 7                 | (4)                 | (61.1)              |                                                                    |
| Gain on Fair value adjustment               | 16                | -                 | 16                  | 100.0               | Fair value gains not budgeted for                                  |
| Other Income                                | 567               | 765               | (198)               | (25.9)              | VAT payments were received that were not budgeted for              |
|                                             | 172               | 868               | 696                 | 4)                  |                                                                    |
| <b>Total Revenue</b>                        | <b>120 257</b>    | <b>88 202</b>     | <b>32 054</b>       | <b>36.34</b>        |                                                                    |
| <b>EXPENDITURE</b>                          |                   |                   |                     |                     |                                                                    |
| Employee Related Costs                      | 35 362            | 36 972            | (1 609)             | (4.35)              |                                                                    |
| Remuneration of Councillors                 | 2 599             | 2 601             | (1)                 | (0.06)              |                                                                    |
| Depreciation                                | 21 215            | -                 | 21 215              | 100.0               | Depreciation not budgeted for                                      |
| Impairment Losses                           | 32 945            | 1 595             | 31 350              | 1                   | Change in accounting policy regarding Debt Impairment              |
| Repairs and Maintenance                     | 1 722             | 2 614             | (891)               | (34.1)              | Less repairs & Maintenance required than budgeted for              |
| Interest Paid                               | 2 080             | 77                | 2 002               | 2                   | Interest charge on Landfill sites provision not budgeted for       |
| Bulk Purchases                              | 14 183            | 1 425             | 12 757              | 894.7               | Centlec Purchases not budgeted for                                 |
| Contracted Services                         | 5 169             | 5 121             | 47                  | 0.92                |                                                                    |
| Grants and Subsidies Paid                   | 1 091             | 1 417             | (326)               | (23.0)              | Increase in electricity costs provided to indigents                |
| General Expenses                            | 20 795            | 15 937            | 4 857               | 30.48               | Centlec General expenses not budgeted for                          |
| Loss on disposal of Property, Plant and     | 131               | -                 | 131                 | 100.0               | Loss of building due to vandalism not expected                     |
| <b>Total Expenditure</b>                    | <b>137 297</b>    | <b>67 763</b>     | <b>69 534</b>       | <b>102.6</b>        |                                                                    |
| <b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b> | <b>(17 040)</b>   | <b>20 439</b>     | <b>(37 479)</b>     | <b>(183.3)</b>      |                                                                    |

## APPENDIX E(1) (Cont)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 June 2011

| Description                                 | 2010/11<br>Actual   | 2010/11<br>Budget | 2010/11<br>Variance | 2010/11<br>Variance |
|---------------------------------------------|---------------------|-------------------|---------------------|---------------------|
|                                             | R                   | R                 | R                   | %                   |
| <b>REVENUE</b>                              |                     |                   |                     |                     |
| Property Rates                              | 6 062 907           | 4 615 027         | 1 447 880           | 31.37               |
| Fines                                       | 156 055             | 710 463           | (554 408)           | (78.03)             |
| Licences and Permits                        | 4 153               | -                 | 4 153               | 100.00              |
| Government Grants and Subsidies             | 68 189 764          | 56 240 298        | 11 949 466          | 21.25               |
| Public Contributions and Donations          | 20 580              | -                 | 20 580              | 100.00              |
| Service Charges                             | 28 275 180          | 23 386 866        | 4 888 314           | 20.90               |
| Rental of Facilities and Equipment          | 656 777             | 723 384           | (66 607)            | (9.21)              |
| Interest Earned - External investments      | 31 636              | 67 893            | (36 257)            | (53.40)             |
| Interest Earned - Outstanding debtors       | 226 493             | -                 | 226 493             | 100.00              |
| Dividends Received                          | 1 733               | 6 933             | (5 199)             | (75.00)             |
| Gain on Fair value adjustment               | 1 780 205           | -                 | 1 780 205           | 100.00              |
| Other Income                                | 974 842             | 1 081 114         | (106 272)           | (9.83)              |
| <b>Total Revenue</b>                        | <b>106 380 325</b>  | <b>86 831 978</b> | <b>19 548 347</b>   | <b>22.51</b>        |
| <b>EXPENDITURE</b>                          |                     |                   |                     |                     |
| Employee Related Costs                      | 30 691 492          | 33 847 343        | (3 155 851)         | (9.32)              |
| Remuneration of Councillors                 | 2 209 126           | 2 321 993         | (112 867)           | (4.86)              |
| Depreciation                                | 21 078 163          | -                 | 21 078 163          | 100.00              |
| Impairment Losses                           | 15 271 157          | 1 422 247         | 13 848 910          | 973.73              |
| Repairs and Maintenance                     | 1 024 249           | 1 636 697         | (612 449)           | (37.42)             |
| Interest Paid                               | 2 436 791           | 4 797 180         | (2 360 389)         | (49.20)             |
| Bulk Purchases                              | 16 136 859          | 4 033 319         | 12 103 540          | 300.09              |
| Contracted Services                         | 8 020 299           | 5 200 000         | 2 820 299           | 54.24               |
| Grants and Subsidies Paid                   | 4 155 906           | -                 | 4 155 906           | 100.00              |
| General Expenses                            | 19 176 808          | 28 707 660        | (9 530 852)         | (33.20)             |
| <b>Total Expenditure</b>                    | <b>120 200 851</b>  | <b>81 966 439</b> | <b>38 234 412</b>   | <b>46.65</b>        |
| <b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b> | <b>(13 820 526)</b> | <b>4 865 539</b>  | <b>(18 686 065)</b> | <b>(384.05)</b>     |

## APPENDIX F

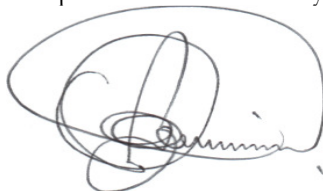
### DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF

#### Grants and Subsidies Received

| Name of Grant                       | Name of Organ of State or Municipal Entity | Quarterly Receipts |            |            |           | Quarterly Expenditure |           |           |           | Grants and Subsidies Delayed / Withheld |     |       |      |
|-------------------------------------|--------------------------------------------|--------------------|------------|------------|-----------|-----------------------|-----------|-----------|-----------|-----------------------------------------|-----|-------|------|
|                                     |                                            | Sept               | Dec        | March      | June      | Sept                  | Dec       | March     | June      | Sept                                    | Dec | March | June |
| FMG<br>INEPG                        | Equitable Share                            | 19 013 000         | 12 236 000 | 14 383 000 | 0         | N/A                   | N/A       | N/A       | N/A       | N/A                                     | N/A | N/A   | N/A  |
|                                     | Nat Treasury                               | 000                | 0          | 000        | 0         | 815 947               | 362 624   | 225 728   | 111 649   | N/A                                     | N/A | N/A   | N/A  |
|                                     | Nat Treasury                               | 1 500 000          | 0          | 0          | 0         | 0                     | 0         | 585 951   | 0         | N/A                                     | N/A | N/A   | N/A  |
|                                     | MIG Projects                               | 000                | 1 169 000  | 0          | 6 704     | 4 318 623             | 3 967 141 | 3 280 518 | 4 413 611 | N/A                                     | N/A | N/A   | N/A  |
|                                     | Bulk Infrastructure Grant                  | 627 000            | 160 740    | 0          | 000       | 1 085 758             | 0         | 5 771 080 | 1 237 161 | N/A                                     | N/A | N/A   | N/A  |
|                                     | MSIG                                       | 7 659 000          | 790 000    | 1 597 891  | 5 480 369 | 259 484               | 88 380    | 85 498    | 363 116   | N/A                                     | N/A | N/A   | N/A  |
| Total Grants and Subsidies Received |                                            | 29 855             | 14 355     | 15 980     | 12 184    | 6 479                 | 4 418     | 9 948     | 6 125     | 0                                       | 0   | 0     | 0    |

FINAL  
2011 - 2012  
PERFORMANCE REPORT

Compiled and submitted by:

A handwritten signature in blue ink, consisting of a large, stylized 'T' and 'C' followed by a cursive 'Panyani'.

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**T. C. Panyani**  
**Municipal Manager**

Date: 03 September 2012

## 1. INTRODUCTION

Mohokare Local Municipality established in December 1999 during the amalgamation process of the then Transitional Local Councils.

The Local Government Municipal Systems act 32 of 2000 and more specifically the municipal planning and performance regulations management regulations of 2001, regulation 12; states that:

"A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it"

Mohokare was through the compilation of the 2011-2012 Integrated development plan, able to set annual targets for service delivery, as required by the local government systems act.

The local government municipal finance management act, further states the following:

- 1) *Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.*
- 2) *The purpose of an annual report is—*
  - a) to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;*
  - a) to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
  - b) to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity*
- 3) *Annual report of a municipality must include -*
  - a) the annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);*
  - b) the Auditor-General's audit report in terms of section 126(3) on those financial statements;*
  - c) the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;*
  - d) the Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act;*
  - e) an assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges;*
  - f) an assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year;*
  - g) particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);*
  - b) any explanations that may be necessary to clarify issues in connection with the financial statements;*
  - i) any information as determined by the municipality;*
  - j) any recommendations of the municipality's audit committee; and*
  - k) any other information as may be prescribed.*

Outlined below is the mohokare local municipality annual performance report for the 2011 - 2012 financial year, this report is part of the main 2011 - 2012 annual report.

## KEY PERFORMANCE AREA: INSTITUTIONAL DEVELOPMENT

| IDP ref | National KPA                       | Strategic objectives           | Measurable objectives                                 | Performance measure                                                        | Baseline (Prev year)                                    |                                                 | Current year                                            |                                                  | Variance                                                                                                     | Planned measure of intervention                                   | Annexure / Supporting documentation |
|---------|------------------------------------|--------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------|
|         |                                    |                                |                                                       |                                                                            | Target                                                  | Actual                                          | Target                                                  | Actual                                           |                                                                                                              |                                                                   |                                     |
| I&F 01  | Good governance and administration | Develop internal human capital | Transformation of human resource development function | Implementation of a phased transformation plan for Human Resource function | 5 HR trainings planned for 10/11                        | 0 HR trainings undertaken                       | 100% implementation of the phased transformation plan   | VIP system capacity building training undertaken | Other aspects of HR not included in the training, i.e. Wellness                                              | 100% implementation of the Work Place Skills plan for HR division | A*                                  |
| I&F 02  | Good governance and administration | Develop internal human capital | Transformation of human resource development function | 100% Implementation of the Work Place Skills plan                          | 43 trainings planned                                    | 17 trainings undertaken (39.5% implemented)     | 100% implementation of the WSP                          | WSP implemented<br><br>Skills Audit conducted    | Budget over expenditure by 1169%<br><br>Budget was R62 927, adjusted to R58 778, actual expenditure R687 000 | Budget sufficiently for trainings                                 | A, A1, A2                           |
| I&F 03  | Good governance and administration | Develop internal human capital | Transformation of human resource development function | Implementation of the institutional employment equity plan                 | 100% implementation of the EE plan over a 2 year period | Employment Equity plan did not have set targets | 100% implementation of the EE plan over a 2 year period | Employment Equity plan did not have set targets  | Not done due to technical capacity                                                                           | Review EE policy to be practical to implement                     | B, B1, B2                           |

|        |                                    |                                |                                                                      |                                                                                     |   |   |                                                                                 |                                                                                        |                                                                |                                                           |       |
|--------|------------------------------------|--------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------------------------------|---|---|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------|-------|
| I&F 04 | Good governance and administration | Develop internal human capital | Capacity building in support of the IDP& Batho-Pele principles       | Developed & implemented course designed to support the IDP & Batho-pele principles  | - | - | Designed & implemented course in the support of the IDP & batho-pele principles | Not done                                                                               | Not done due to technical capacity                             | Incorporation of IDP implementation training              | None  |
| I&F 05 | Good governance and administration | Develop internal human capital | Render strategic labor relations services.                           | 1 annual employment workshop convened                                               | - | - | 1 annual employment workshop convened                                           | In-house training (Managing Discipline in the workplace) was conducted.                | None                                                           | Training will be held annually                            | C, C1 |
| I&F 06 | Good governance and administration | Develop internal human capital | Introduction and maintenance of a formal Knowledge management system | Established and operationalized central knowledge resource for the municipality.    | - | - | Knowledge management, central knowledge resource implemented                    | Registry unit established, Registry policy developed & adopted                         | Electronic filing not implemented due to financial constraints | Will be budgeted for during 2012 - 1013 financial year    | D     |
| I&F 07 | Good governance and administration | Develop internal human capital | Render proper legal service                                          | Established legal office. Reduction of legal related queries. & enforced compliance | - | - | Established legal office& reduced legal related queries                         | Legal office not established, utilising the labour relations office & external lawyers | No legal office, financial constraints                         | Capacitate the Laboure relations officer on legal matters | E     |

**KEY PERFORMANCE AREA: INSTITUTIONAL DEVELOPMENT**  
**SUB-PROGRAMME: PERFORMANCE MANAGEMENT**

| IDP ref | National KPA                       | Strategic objectives   | Measurable objectives                                                                               | Performance measure                                            | Baseline (Prev year)             |                                  | Current year                                                       |                                                                    | Variance                                                     | Planned measure of intervention                                               | Annexure / Supporting documentation |
|---------|------------------------------------|------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------|----------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------|
|         |                                    |                        |                                                                                                     |                                                                | Target                           | Actual                           | Target                                                             | Actual                                                             |                                                              |                                                                               |                                     |
| I&F08   | Good governance and administration | Performance management | Developed Municipal performance management system and reviews undertaken                            | Complete assessment and compile performance reports            | 4 quarterly reports compiled     | No reports compiled              | 4 Quarterly performance reports per municipal department & reviews | 4 quarterly reports compiled                                       | None                                                         | Improved quarterly report structure by 12/13 financial year                   | F, F1                               |
|         |                                    |                        |                                                                                                     |                                                                |                                  |                                  |                                                                    | 2 quarterly performance reviews conducted                          | Incomplete / insufficient information on quarterly reports   | Compile reports accordingly and reviews conducted for all quarters            |                                     |
| I&F09   | Good governance and administration | Performance management | Development and review the SDBIP aligned to the IDP                                                 | 12 Departmental monthly progress reports informed by the SDBIP | -                                | -                                | 12 Departmental monthly progress reports compiled                  | 12 Departmental monthly progress reports not informed by the SDBIP | Report not compiled in accordance to the SDBIP               | Ensure compliance SDBIP reporting                                             | H, H1                               |
| I&F10   | Good governance and administration | Performance management | Performance management contracts of section 57 employees aligned to the SDBIP, informed by the IDP. | Performance agreements signed and reviewed                     | All performance contracts signed | All performance contracts signed | All performance contracts signed and a review undertaken           | All performance contracts signed. No review was undertaken         | Review not undertaken due to technical capacity              | Performance management capacity building trainings implemented as per the WSP | I                                   |
| I7&F11  | Good governance and administration | Performance management | Developed framework for performance review of                                                       | Adopted performance framework and plans for middle             | -                                | -                                | Adopted performance framework and plans for middle                 | Note done                                                          | Framework for middle managers not developed due to technical | Build capacity to be able to develop and undertake PMS for middle             | None                                |

| IDP ref | National KPA                       | Strategic objectives   | Measurable objectives                                         | Performance measure                                                                      | Baseline (Prev year) |        | Current year                                                       |          | Variance              | Planned measure of intervention                                                         | Annexure / Supporting documentation |
|---------|------------------------------------|------------------------|---------------------------------------------------------------|------------------------------------------------------------------------------------------|----------------------|--------|--------------------------------------------------------------------|----------|-----------------------|-----------------------------------------------------------------------------------------|-------------------------------------|
|         |                                    |                        |                                                               |                                                                                          | Target               | Actual | Target                                                             | Actual   |                       |                                                                                         |                                     |
|         |                                    |                        | middle managers                                               | managers                                                                                 |                      |        | managers                                                           |          | capacity              | managers in 2012-2013                                                                   |                                     |
| I&F12   | Good governance and administration | Performance management | Developed framework for performance review of middle managers | Signed performance agreements for middle managers and 100% performance reviews conducted | -                    | -      | All middle managers sign performance contracts& reviews undertaken | Not done | No technical capacity | Build capacity to be able to develop and undertake PMS for middle managers in 2012-2013 | None                                |

**KEY PERFORMANCE AREA: INSTITUTIONAL DEVELOPMENT**  
**SUB-PROGRAMME: GOVERNANCE AND ADMINISTRATION**

| IDP ref | National KPA                       | Strategic objectives      | Measurable objectives      | Performance measure                    | Baseline (Prev year)                     |          | Current year                             |                                          | Variance                                                                    | Planned measure of intervention                                                                    | Annexure / Supporting documentation |
|---------|------------------------------------|---------------------------|----------------------------|----------------------------------------|------------------------------------------|----------|------------------------------------------|------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-------------------------------------|
|         |                                    |                           |                            |                                        | Target                                   | Actual   | Target                                   | Actual                                   |                                                                             |                                                                                                    |                                     |
| I&F13   | Good governance and administration | Functional Administration | Accountable administration | percentage queries responded to        | -                                        | -        | 90% of lodged queries responded to       | 75% of complaints received were resolved | Lack of sufficient machinery & equipment for repairs and maintenance        | Recording & monitoring of lodged queries through a practical customer service charter              | J                                   |
| I&F 14  | Good governance and administration | Functional Administration | Accountable administration | Improved information technology system | Upgraded telephonic & switchboard system | Not done | Upgraded telephonic & switchboard system | Not done                                 | Not done due to financial constraints                                       | Review of existing system & upgrade                                                                | None                                |
| I&F 15  | Good governance and administration | Functional Administration | Accountable administration | Improved information technology system | Upgrade to intranet                      | Not done | Upgrade to intranet                      | Not done                                 | Not done due to financial constraints                                       | Review the relevance of upgrading to intranet                                                      | None                                |
| I&F 16  | Public participation               | Functional Administration | Accountable administration | Communication plan in place            | -                                        | -        | 12 ward meetings held (2011-2012)        | Ward meetings held (Annexure K)          | Some evidence of held ward meetings was destroyed during community uprising | Controlled implementation of the communications plan and safe keeping of evidence of held meetings | K                                   |

| I&F 17  | Good governance and administration | Public participation      | Accountable administration     | Quarterly newsletter development and distribution        | Quarterly newsletter development and distribution | Not done                   | 4 quarterly municipal newsletters developed & distributed | Not done                                                                                             | Newsletter design not yet approved by Council | Launching the newsletter and distributing quarterly during 2012/2013                                 | None                                |
|---------|------------------------------------|---------------------------|--------------------------------|----------------------------------------------------------|---------------------------------------------------|----------------------------|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------------------------------|-------------------------------------|
| I&F 18  | Good governance and administration | Public participation      | Accountable administration     | Interactive & monthly updated website                    | Interactive & monthly updated website             | Updated on an ad hoc basis | Monthly updated municipal website (interactive)           | Website updated on an ad hoc basis                                                                   | Ensure updated & interactive website          | Capacity building for municipal staff to ensure constant and timeous update of the municipal website | L                                   |
| IDP ref | National KPA                       | Strategic objectives      | Measurable objectives          | Performance measure                                      | Baseline (Prev year)                              |                            | Current year                                              |                                                                                                      | Variance                                      | Planned measure of intervention                                                                      | Annexure / Supporting documentation |
|         |                                    |                           |                                |                                                          | Target                                            | Actual                     | Target                                                    | Actual                                                                                               |                                               |                                                                                                      |                                     |
| I&F 19  | Good governance and administration | Functional administration | Management systems / processes | Institutional development policies in place              | -                                                 | -                          | Developed & adopted all outstanding policies              | Outstanding policies were developed and adopted                                                      | -                                             | Monitoring and implementation                                                                        | M                                   |
| I&F 20  | Good governance and administration | Functional administration | Management systems / processes | Compilation & implementation of by-laws.                 | -                                                 | -                          | All by-laws compiled and adopted                          | By-laws compiled but not adopted due to community protests that hampered the public consultation leg | By-laws not yet adopted by council            | (Consultations) final leg of public consultation in all 3 towns                                      | N, N1, N2                           |
| I&F 21  | Good governance and administration | Functional administration | Management systems / processes | Delegation system for all section 57 and other employees | Development of delegation system                  | Delegation developed       | Reviewed delegation system and adopted by council         | Delegation system reviewed and adopted by Council                                                    | -                                             | Implementation and monitoring if the system                                                          | O, O1                               |

|        |                             |                                                                                     |                                                                                     |                                                                                                   |   |   |                                                   |                                                            |   |                                                                         |   |
|--------|-----------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|---|---|---------------------------------------------------|------------------------------------------------------------|---|-------------------------------------------------------------------------|---|
| I&F 22 | Intergovernmental relations | Promotion of IGR                                                                    | 100% attendance to IGR meetings                                                     | Attendance register for all attended IGR meetings                                                 | - | - | Attend all IGR meetings                           | All IGR meetings were attended to                          | - | -                                                                       | P |
| I&F 23 | Public participation        | Increased public participation in the process of decision making & service delivery | Level of participation by stakeholders & the community in decision making processes | Stakeholder attendance to municipal public participation processes for planning & decision making | - | - | 80% participation by stakeholders & the community | Stakeholder meetings were held, attached are the registers |   | Development of a structured public participation model for stakeholders | Q |

**KEY PERFORMANCE AREA: INSTITUTIONAL DEVELOPMENT& FINANCIAL VIABILITY**  
**SUB-PROGRAMME: FINANCIAL SERVICES**

| IDP ref | National KPA        | Strategic objectives         | Measurable objectives                            | Performance measure                                            | Baseline (Prev year)                |             | Current year                                      |                                 | Variance                      | Planned measure of intervention                                      | Annexure / Supporting documentation                              |
|---------|---------------------|------------------------------|--------------------------------------------------|----------------------------------------------------------------|-------------------------------------|-------------|---------------------------------------------------|---------------------------------|-------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------|
|         |                     |                              |                                                  |                                                                | Target                              | Actual      | Target                                            | Actual                          |                               |                                                                      |                                                                  |
| I&F 24  | Financial viability | Budget& Expenditure          | Compliant municipal budget development           | Developed municipal budget compliant to the MFMA               | <b>Budget developed and adopted</b> | <b>Done</b> | Budget developed and adopted                      | <b>Done</b>                     | -                             | Increased alignment with the IDP                                     | R, R1                                                            |
| I&F 25  | Financial viability | Budget& Expenditure          | Capacitated non-financial managers and officials | 4 quarterly Workshops for non-financial officials on MFMA held | -                                   | -           | 4 MFMA workshops for non-financial officials held | Not done                        |                               | Develop & budget for the workshops                                   | None                                                             |
| I&F 26  | Financial viability | Reporting and Credit control | Regular finance reports submitted                | 12 reports submitted                                           | -                                   | -           | 12 financial reports submitted                    | All financial reports submitted | -                             | Sustainable reporting                                                | S, S1                                                            |
| I&F 27  | Financial viability | Reporting and Credit control | effective credit control system                  | Reviewed credit control policy                                 | -                                   | -           | Reviewed credit control policy by June 2012       | Policy was not reviewed         | -                             | Review f the policy during 2012/13 financial year                    | None                                                             |
| I&F 28  | Financial viability | Reporting and Credit control | effective credit control system                  | Increased debt re-payment rate by consumers                    | -                                   | -           | 60% debt re-payment                               | Low debt payment by households  | High household indigence rate | Development and implementation of an effective credit control system | Attached, debtors age analysis (Page 114 of draft Annual Report) |

|        |                     |                   |                                        |                                                                          |   |   |                                         |                                                                                                                                                                                |                          |                                             |      |
|--------|---------------------|-------------------|----------------------------------------|--------------------------------------------------------------------------|---|---|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------|------|
| I&F 29 | Financial viability | Revenue & billing | Growth in revenue & the Billing system | Accurate monthly bills issued before the 25 <sup>th</sup> of every month | - | - | 100% accurate timeous billing           | The monthly bills are issued on the last week of the month. Due to the unit being short staffed so the target of 25 <sup>th</sup> every month is not met. A sample is attached | Human Capital            | Improved, efficient billing implemented     | None |
| I&F 30 | Financial viability | Revenue & billing | Growth in revenue & the Billing system | 100% servicing of current accounts                                       | - | - | All household current accounts serviced | Not all households are servicing their current accounts                                                                                                                        | Varying monthly payments | Improved debt management and credit control | None |

| IDP ref | National KPA                       | Strategic objectives | Measurable objectives                                       | Performance measure                                                                      | Baseline (Prev year)      |          | Current year                                                 |                                      | Variance | Planned measure of intervention           | Annexure / Supporting documentation |
|---------|------------------------------------|----------------------|-------------------------------------------------------------|------------------------------------------------------------------------------------------|---------------------------|----------|--------------------------------------------------------------|--------------------------------------|----------|-------------------------------------------|-------------------------------------|
|         |                                    |                      |                                                             |                                                                                          | Target                    | Actual   | Target                                                       | Actual                               |          |                                           |                                     |
| I&F 31  | Financial viability                | Assets management    | Efficient management of municipal assets                    | Asset register in place                                                                  | Asset register in place   | Not done | Complete asset register                                      | Asset register compiled and complete | -        | Continuous updating of the asset register | -                                   |
| I&F 32  | Good governance and administration | Risk management      | Identification, assessment and management of municipal risk | Risk assessment performed                                                                | Risk assessment performed | Done     | Reviewed risk assessment for 2011-2012                       | Complete risk assessment             | -        | Monitoring & evaluation                   | T                                   |
| I&F 33  | Good governance and administration | Risk management      | Strategic risk assessment plan in place                     | Risk based operational plan & audit plan in place                                        | -                         | -        | Complete risk based operational plan and audit action plan   | Done                                 | -        | Monitoring & evaluation                   | T1, T2                              |
| I&F 34  | Good governance and administration | Internal auditing    | Compliance to municipal legislation                         | Risk based operational plan and the Audit action plan with the progress on the findings. | -                         | -        | Risk based audit plan developed & Audit action plan in place | Done                                 | -        | Monitoring & evaluation                   | U                                   |

**KEY PERFORMANCE AREA: ECONOMIC DEVELOPMENT PLANNING & ENVIRONMENTAL HEALTH MANAGEMENT**  
**SUB-PROGRAMME 1: PLANNING**

| IDP ref | National KPA                                      | Strategic objectives       | Measurable objectives                         | Performance measure                      | Baseline (Prev year) |                  | Current year                                                              |                                        | Variance                                                                   | Planned measure of intervention                   | Annexure / Supporting documentation |
|---------|---------------------------------------------------|----------------------------|-----------------------------------------------|------------------------------------------|----------------------|------------------|---------------------------------------------------------------------------|----------------------------------------|----------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------|
|         |                                                   |                            |                                               |                                          | Target               | Actual           | Target                                                                    | Actual                                 |                                                                            |                                                   |                                     |
| EP&E01  | Local economic development (Development planning) | Improve municipal planning | Proper planning for all municipal development | Reviewed spatial development plan        | Reviewed SDF         | SDF reviewed     | Reviewed & adopted SDF                                                    | SDF was reviewed & adopted             | -                                                                          | Annual review of the SDF                          | V                                   |
| EP&P02  | Development planning                              | Improve municipal planning | Proper planning                               | Reviewed Integrated development plan     | Reviewed IDP         | IDP was reviewed | Reviewed IDP                                                              | Done, IDP was reviewed& Adopted        | -                                                                          | Ensure annual review and alignment to the budget  | W, W1                               |
| EP&P03  | Development planning                              | Improve municipal planning | Proper planning                               | Reviewed Local economic development plan | Reviewed LED plan    | Not Done         | Reviewed LED plan                                                         | Not done                               | Target not met due to lack of technical capacity and financial constraints | Source funding and technical expertise from CGTA. | None                                |
| EP&P04  | Development planning                              | Improve municipal planning | Proper planning                               | Developed and enforced by - laws         | -                    | -                | Developed, Adopted & Enforced by laws relating to local economy (trading) | By-laws developed & adopted by Council | -                                                                          | -                                                 | X                                   |

**KEY PERFORMANCE AREA: ECONOMIC DEVELOPMENT PLANNING & ENVIRONMENTAL HEALTH MANAGEMENT**  
**SUB-PROGRAMME 2: LOCAL ECONOMIC DEVELOPMENT**

| IDP ref | National KPA               | Strategic objectives       | Measurable objectives                 | Performance measure                         | Baseline (Prev year)               |          | Current year                                                      |          | Variance                                                          | Planned measure of intervention                                                                                   | Annexure / Supporting documentation |
|---------|----------------------------|----------------------------|---------------------------------------|---------------------------------------------|------------------------------------|----------|-------------------------------------------------------------------|----------|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|-------------------------------------|
|         |                            |                            |                                       |                                             | Target                             | Actual   | Target                                                            | Actual   |                                                                   |                                                                                                                   |                                     |
| EP&P05  | Local economic development | Local economic development | Promotion of LED, economic growth     | Secured land for local economic development | -                                  | -        | 50% of land secured for local economic development                | Not done | No financial resource and internal capacity to conduct land audit | Request assistance from, Xhariep district and CoGTA to complete land audit and source funds for purchase of land. | None                                |
| EP&P06  | Local economic development | Local economic development | Promotion of LED, economic growth     | Developed economic hubs in all three towns  | -                                  | -        | Developed economic hubs in all three towns                        | Not Done | Not done due to lack technical capacity                           | Capacity building programmes for the LED unit. And partnerships with other government departments.                | None                                |
| EP&P07  | Local economic development | Local economic development | Promotion of LED& tourism development | Tourism development plan in place           | Tourism development plan developed | Not done | Development of a LED document that caters for tourism development | Not done | Not done due to lack technical capacity                           | Capacity building programmes for the LED unit. And partnerships with other government departments.                | None                                |

|        |                            |                            |                                       |                                                  |   |   |                                                            |          |                                    |                                                                         |      |
|--------|----------------------------|----------------------------|---------------------------------------|--------------------------------------------------|---|---|------------------------------------------------------------|----------|------------------------------------|-------------------------------------------------------------------------|------|
| EP&P08 | Local economic development | Local economic development | Promotion of LED& tourism development | Partnerships with SMMEs & Co-ops for development | - | - | Partnerships with all SMMEs for local economic development | Not done |                                    | Development of a LED plan that caters for SMME development& and support | None |
| EP&P09 | Local economic development | Local economic development | Economic development initiatives      | Implementation of LED projects                   | - | - | Develop& implement LED initiatives                         | Not Done | Not done due to technical capacity | Development of a practical LED plan                                     | None |

**KEY PERFORMANCE AREA: ECONOMIC DEVELOPMENT PLANNING & ENVIRONMENTAL HEALTH MANAGEMENT**  
**SUB-PROGRAMME 3: ENVIRONMENTAL HEALTH MANAGEMENT**

| IDP ref | National KPA             | Strategic objectives            | Measurable objectives                                                        | Performance measure                                     | Baseline (Prev year) |        | Current year                                       |                     | Variance                 | Planned measure of intervention                             | Annexure / Supporting documentation |
|---------|--------------------------|---------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------|----------------------|--------|----------------------------------------------------|---------------------|--------------------------|-------------------------------------------------------------|-------------------------------------|
|         |                          |                                 |                                                                              |                                                         | Target               | Actual | Target                                             | Actual              |                          |                                                             |                                     |
| EP&P10  | Environmental Management | Environmental Management        | Protection of natural resources through management& conservation environment | Environmental management and conservation plan in place | -                    | -      | Environmental management and conservation in place | Not done            | Lac of internal capacity | Source partnerships with other government departments       | None                                |
| EP&P11  | Environmental Management | Environmental health Management | Awareness campaigns held                                                     | Quarterly awareness campaigns held                      | -                    | -      | Quarterly awareness campaigns conducted            | Campaigns conducted | -                        |                                                             | Y                                   |
| EP&P12  | Environmental Management | Environmental health Management | Sustainable funding for environmental management                             | Funding proposal submitted                              | -                    | -      | Developed funding proposal & submission            | Not done            |                          | Structured partnership with relevant government departments | None                                |

**PERFORMANCE AREA: SOCIAL DEVELOPMENT**  
**SUB-PROGRAMME 1: FACILITIES**

| IDP ref        | National KPA   | Strategic objectives   | Measurable objectives                    | Performance measure                | Baseline (Prev year) |        | Current year                                                   |                                        | Variance                   | Planned measure of intervention                  | Annexure / Supporting documentation |
|----------------|----------------|------------------------|------------------------------------------|------------------------------------|----------------------|--------|----------------------------------------------------------------|----------------------------------------|----------------------------|--------------------------------------------------|-------------------------------------|
|                |                |                        |                                          |                                    | Target               | Actual | Target                                                         | Actual                                 |                            |                                                  |                                     |
| SDC01<br>SDC02 | Basic Services | Facilities maintenance | Properly maintained municipal properties | Level of maintenance of facilities | -                    | -      | Implemented maintenance plan and maintenance expenditure spent | Maintenance is done on an ad hoc basis | Lack of project management | Capacity building programmes for municipal staff | Z                                   |

**KEY PERFORMANCE AREA: SOCIAL DEVELOPMENT**  
**SUB-PROGRAMME 2: SAFETY AND SECURITY**

| IDP ref        | National KPA        | Strategic objectives            | Measurable objectives                                               | Performance measure                                            | Baseline (Prev year) |        | Current year                                     |                        | Variance                                        | Planned measure of intervention                                                                                          | Annexure / Supporting documentation |
|----------------|---------------------|---------------------------------|---------------------------------------------------------------------|----------------------------------------------------------------|----------------------|--------|--------------------------------------------------|------------------------|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
|                |                     |                                 |                                                                     |                                                                | Target               | Actual | Target                                           | Actual                 |                                                 |                                                                                                                          |                                     |
| SDC03          | Basic Services      | Traffic management              | Provision of safety on our roads                                    | Reduction of traffic offences                                  | -                    | -      | 90% reduction of traffic offences                | Not done               | Not done due to shortage of staff and equipment | Provision of traffic safety equipment and HR sourcing                                                                    | None                                |
| SDC04<br>SDC05 | Basic services      | Traffic safety and management   | Sustainable management of the Incident management                   | Level of attendance of incident management meetings and events | -                    | -      | 100% attendance to incident management meetings. | Not done               | Not done due to financial constraints           | Facilitate the resuscitation of the incident management and be a permanent member                                        | None                                |
| SDC06          | Disaster management | Sustainable disaster management | Compliance to the Xhariep district municipality disaster management | District plan cascaded to Mohokare LM.                         | -                    | -      | Compliance to the disaster management plan       | Plan tabled in council | -                                               | Partnership with the district, centre for disaster management and relevant provincial department for disaster management | AA                                  |

**KEY PERFORMANCE AREA: SOCIAL DEVELOPMENT**  
**SUB-PROGRAMME 3: EARLY CHILDHOOD DEVELOPOMENT**

| IDP ref | National KPA            | Strategic objectives                               | Measurable objectives                    | Performance measure                                         | Baseline (Prev year) |        | Current year                |          | Variance                   | Planned measure of intervention                                       | Annexure / Supporting documentation |
|---------|-------------------------|----------------------------------------------------|------------------------------------------|-------------------------------------------------------------|----------------------|--------|-----------------------------|----------|----------------------------|-----------------------------------------------------------------------|-------------------------------------|
|         |                         |                                                    |                                          |                                                             | Target               | Actual | Target                      | Actual   |                            |                                                                       |                                     |
| SDC07   | Sustainable livelihoods | Ensuring facilitated support by sector departments | Conducive environment for child learning | Level of support offered by the Municipality to CDE centres | -                    | -      | Sustainable support to ECDs | Not done | Lack of technical capacity | Development of a ECD assistance program                               | None                                |
| SDC08   | Sustainable livelihoods | Development of ECD centres                         | Conducive environment for child learning | Level of maintenance of ECD facilities                      | -                    | -      | Maintenance of CED centres  | Not done | Lack of technical capacity | Source partnership with sector departments for the maintenance f ECDs | None                                |

**KEY PERFORMANCE AREA: SOCIAL DEVELOPMENT**  
**SUB-PROGRAMME 4: SPECIAL PROGRAMMES, YOUTH DEVELOPMENT, WOMAN AND DISABILITIES**

| IDP ref | National KPA   | Strategic objectives | Measurable objectives               | Performance measure                                                                  | Baseline (Prev year)          |          | Current year                                                                   |          | Variance           | Planned measure of intervention                                                             | Annexure / Supporting documentation |
|---------|----------------|----------------------|-------------------------------------|--------------------------------------------------------------------------------------|-------------------------------|----------|--------------------------------------------------------------------------------|----------|--------------------|---------------------------------------------------------------------------------------------|-------------------------------------|
|         |                |                      |                                     |                                                                                      | Target                        | Actual   | Target                                                                         | Actual   |                    |                                                                                             |                                     |
| SDC08   | Basic services | Community services   | Self-sustainable target communities | Development and implementation of integrated development plan for target communities | -                             | -        | Developed and implemented integrated development plan for targeted communities | Not done | Technical capacity | Capacity building for the municipality and partnership with relevant government departments | None                                |
| SDC09   | Basic services | Human Settlement     | Sustainable human settlements       | Reviewed housing sector plan                                                         | Reviewed housing sector plan  | Not done | Reviewed housing sector plan                                                   | Not done | Technical capacity | Partnership with COGTA human settlements department for assistance                          | None                                |
| SDC 10  | Basic services | Human Settlement     | Sustainable human settlements       | Effective contract management                                                        | Effective contract management | Not done | Effective contract management                                                  | Not done | Technical capacity | Partnership with Municipal PMU                                                              | None                                |

**KEY PERFORMANCE AREA: INFRASTRUCTURE DEVELOPEMENT**

| KPA                           | Objective                                          | PROJECT DESCRIPTION                                                          | IDP No: | Ward No: | Budget                         | FUND SOURCE           | Funding year  | 2011/2012 Performance Report                                                  |
|-------------------------------|----------------------------------------------------|------------------------------------------------------------------------------|---------|----------|--------------------------------|-----------------------|---------------|-------------------------------------------------------------------------------|
|                               |                                                    |                                                                              |         |          |                                |                       | 2011/12       |                                                                               |
| Infrastructure and Investment | Water Supply                                       | Rouxville Bulk Water supply, inclusive of Smithfield& Zastron                | IFC 01  | 2&4      | 48M                            | DWA                   | R10 894M      |                                                                               |
|                               |                                                    | Smithfield: Upgrading of the Caledon Water Scheme phase 2: 14km supply lines | IFC 02  | 6        | R10.6875.00                    | MIG                   | R7 399 384.50 | Project not implemented in the 11/12 financial year, phase 1 not yet complete |
|                               |                                                    | Mohokare replacement of worn out pipes                                       | IFC 03  | All      | R1.8M                          | OPEX                  | R600 000      | Done on a continuous basis                                                    |
|                               |                                                    | Rouxville Water Treatment plant upgrade                                      | IFC 04  | 2&4      | R2M                            | MIG                   | R0 000        | N/A in 11/12 financial year                                                   |
|                               |                                                    | Upgrading of reservoir in Zastron                                            | IFC 05  | 1,3&5    | R2M                            | MIG                   | R1.828m       | Project not implemented in the 11/12 financial year                           |
|                               |                                                    | Upgrading of Pump station in Rouxville                                       | IFC 06  | 4&2      | R5M                            | MIG                   | R5M           | Project not implemented in the 11/12 financial year                           |
|                               |                                                    | 4 Water awareness campaigns annually                                         | IFC 07  | All      | R720 000                       | DWA / OPEX / District | R240 000      | Not done                                                                      |
| Sanitation                    | Quality of health& acceptable Sanitation Standards | BEP Phase 1 for 777 sites in Rouxville (Sewer Networks)                      | IFC 11  |          | R11.378m:                      | MIG                   | R0 000        | Construction @ 25%                                                            |
|                               |                                                    | Completion of Bucket eradication 777 in Rouxville                            | IFC 12  | 2&4      | R4M                            | MIG                   | R4M           | Project was put on hold by due to scarcity of water.                          |
|                               |                                                    | Upgrading of Waste water treatment works in Zastron                          | IFC 13  | 5,3&1    | R11M, project started in 10/11 | MIG                   | R6.7M         | 80% complete, contractor on site, Payment Vouchers attached                   |

|                     |                                                           |                                                                                                              |        |     |                             |                                                           |                  |                                                                                               |
|---------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|--------|-----|-----------------------------|-----------------------------------------------------------|------------------|-----------------------------------------------------------------------------------------------|
|                     |                                                           | Upgrading of Oxidation pond in Smithfield project is 90% complete, outstanding mechanical & electrical works | IFC 15 | 6   | R3M for the outstanding 10% | MIG / OPEX, MIG funds for the project have been exhausted | R3M              | 90 % complete, awaiting the appointment of the contractor for M& E, Payment Vouchers attached |
| Electricity         | Sustainable livelihoods                                   | Electrification of outstanding 15 Households in Zastron, with unstable structures                            | IFC 16 | 3   | R82 500                     | DME funded                                                | R82 000          |                                                                                               |
|                     |                                                           | Maintenance & repair of existing high mass lights                                                            | IFC 18 | All | R200 000                    | ESKOM / CENTLEC                                           | R200 000         | Project awaiting the approval of COGTA for MIG funding                                        |
| Roads & Storm Water | Promoting trafficable streets that promote safety for all | Construction of an access road in Zastron, phomlong                                                          | IFC 20 | 1   | R15.16M                     | MIG                                                       | R3.18m           | Project reviewed, not included on MIG implementation plan                                     |
|                     |                                                           | Construction of an access road in Rouxville                                                                  | IFC 21 | 2&4 | R22M                        | MIG                                                       | R17.1M           | 95% complete, contractor on site, payment voucher available                                   |
|                     |                                                           | Facilitate installation of road signs, markings & speed delay humps                                          | IFC 23 | All | R100 000                    | OPEX / Police, Roads Public works                         | R0 000           | Not done                                                                                      |
|                     |                                                           | Create & maintain stormwater channels for access roads                                                       | IFC 24 | All | R150 000                    | OPEX /                                                    | R50 000          | Done on a continuous basis                                                                    |
|                     |                                                           | Maintenance of internal municipal roads                                                                      | IFC 25 | All | R300 000                    | OPEX /                                                    | R100 000         | Done on a continuous basis                                                                    |
|                     |                                                           | Maintain existing access roads                                                                               | IFC 26 | All | R50 000                     | OPEX                                                      | R25 000          | Done on a continuous basis                                                                    |
|                     |                                                           | Upgrading of the Rouxville – Zastron road                                                                    | IFC 27 | All | R59 286 987 (m)             | PR&T                                                      | R59 286 987 (m)  | Provincial Department of Police Roads and Transport Project                                   |
|                     |                                                           | Upgrading of the Zastron – Rouxville road                                                                    | IFC 28 | All | R137 793 935 (m)            | PR&T                                                      | R137 793 935 (m) | Provincial Department of Police Roads and Transport Project                                   |
|                     |                                                           | Development Municipal Extended Public Works Plan                                                             | IFC 29 | All | R0 000                      | OPEX                                                      | R0 000           | Not done                                                                                      |

END

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